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Transcript of Thomas Adamczak, 30(b)(6)

Date: April 12, 2022

Case: UBS Securities LLC, et al. -v- Highland Capital Management, L.P.

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Conducted on April 12, 2022

<p>1 UNITED STATES BANKRUPTCY COURT NORTHERN DISTRICT OF TEXAS</p> <p>2 IN RE:) 3) 4 HIGHLAND CAPITAL) MANAGEMENT, L.P.) 5 UBS SECURITIES, LLC) and UBS AG LONDON) 6 BRANCH,) 7 Plaintiff,) 8 vs.) Case No. 19-34054-SGJ11 9 HIGHLAND CAPITAL) Chapter 11 MANAGEMENT, L.P.,) 10 Defendant.) Adv. Proc. No. 21-03020-SGJ</p> <p>11</p> <p>12 VIDEOTAPED DEPOSITION OF 13 THOMAS ADAMCZAK, 30(b)(6) 14 Tuesday, April 12, 2022 15 9:06 a.m.</p> <p>16</p> <p>17</p> <p>18</p> <p>19 Job No. 442674 20 Pages: 1 - 315 21 Reported by: Stephanie A. Battaglia, CSR, RMR, 22 CRR 23 24 25</p>	<p>1 I N D E X</p> <p>2 WITNESS: PAGE:</p> <p>3 THOMAS ADAMCZAK, 30(b)(6)</p> <p>4 EXAMINATION BY:</p> <p>5 Mr. Burt 10, 311 6 Mr. Weldon 307</p> <p>7 E X H I B I T S (Retained by Latham)</p> <p>8 Exhibit 112 Subpoena to Testify at 13 a Deposition in a Bankruptcy Case (or Adversary Proceeding)</p> <p>9</p> <p>10 Exhibit 113 Subpoena ad Testificandum 13</p> <p>11 Exhibit 114 Letter 22 Re: Sentinel Reinsurance, Ltd. ("Sentinel"; License #642423) Request for Approval - Change in Ownership (CIMA Follow Up Questions) DISCSEN0000097 - DISCSEN0000139</p> <p>12</p> <p>13</p> <p>14</p> <p>15 Exhibit 115 E-mail 26 Subject: FW: Sentinel Re, Ltd CIMA requests DISCSEN0000408 - DISCSEN0000410</p> <p>16</p> <p>17</p> <p>18</p> <p>19 Exhibit 116 E-mail 36 Subject: RE: Sentinel CIMA exam BC SEN0000076061 - BC SEN0000076080</p> <p>20</p> <p>21</p> <p>22 Exhibit 117 Management and Administrative 51 Services Agreement BC SEN0000361175 - BC SEN0000361183</p> <p>23</p> <p>24</p> <p>25</p>
<p>1 SUPREME COURT OF THE STATE OF NEW YORK COUNTY OF NEW YORK</p> <p>2 UBS SECURITIES LLC and) 3 UBS AG, LONDON BRANCH,) 4 Plaintiffs,) 5 vs.) Index No.: 6) 650097/2009 7 HIGHLAND CAPITAL) MANAGEMENT, L.P., HIGHLAND) 8 CDO OPPORTUNITY MASTER) FUND, L.P., HIGHLAND) 9 SPECIAL OPPORTUNITIES) HOLDING COMPANY, HIGHLAND) 10 FINANCIAL PARTNERS, L.P.,) HIGHLAND CREDIT STRATEGIES) 11 MASTER FUND, L.P., HIGHLAND) CRUSADER OFFSHORE PARTNERS,) 12 L.P., HIGHLAND CREDIT) OPPORTUNITIES CDO, L.P.,) and STRAND ADVISORS, INC.,) 13 Defendants.)</p> <p>14</p> <p>15 VIDEOTAPED DEPOSITION OF 16 THOMAS ADAMCZAK, 30(b)(6) 17 Tuesday, April 12, 2022 18 9:06 a.m.</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 (Cont'd.):</p> <p>2 Exhibit 118 E-mail 73 Subject: RE: [EXTERNAL] FW: WinSure Yield Stack 2019 Quota Share Reinsurance BC SEN0000727319 - BC SEN0000727328</p> <p>3</p> <p>4</p> <p>5</p> <p>6 Exhibit 119 E-mail 79 Subject: Fwd: London UBSPROD460936 - UBSPROD460948</p> <p>7</p> <p>8 Exhibit 120 E-mail 89 Subject: FW: Ellington - Request Reimbursement BC SEN0000663342 - BC SEN0000663344</p> <p>9</p> <p>10</p> <p>11 Exhibit 121 Letter 95 KL_000029 - KL_000039</p> <p>12</p> <p>13 Exhibit 122 E-mail 105 Subject: RE: Expense Reimbursement BC SEN0000662367 - BC SEN0000662368</p> <p>14</p> <p>15</p> <p>16 Exhibit 123 2006 Tenuta San Guido 109 Sassicaia Bolgheri (No Bates Numbers)</p> <p>17</p> <p>18 Exhibit 124 E-mail 114 Subject: Re: Sentinel Expenses for Approval BC SEN0000074288 - BC SEN0000074289</p> <p>19</p> <p>20</p> <p>21 Exhibit 125 E-mail 124 Subject: UBS - Privileged Legal Liability Insurance Policy (No Bates Numbers)</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

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<p>5</p> <p>1 (Cont'd.):</p> <p>2 Exhibit 126 E-mail 136</p> <p>3 Subject: Sentinel</p> <p>4 Reinsurance, Ltd. -</p> <p>5 Final Inspection Reports</p> <p>6 BC SEN0000078777 -</p> <p>7 BC SEN0000078828</p> <p>8 Exhibit 127 E-mail 138</p> <p>9 Subject: RE:</p> <p>10 Draft ATE policy</p> <p>11 BC SEN0000745902 -</p> <p>12 BC SEN0000745906</p> <p>13 Exhibit 128 E-mail 146</p> <p>14 Subject: FW:</p> <p>15 Sentinel Reinsurance -</p> <p>16 ATE policy</p> <p>17 BC SEN0000662979 -</p> <p>18 BC SEN0000745988</p> <p>19 Exhibit 129 E-mail 157</p> <p>20 Subject: RE:</p> <p>21 Sentinel year-end</p> <p>22 actuarial analysis</p> <p>23 BC SEN000005065 -</p> <p>24 BC SEN000005085</p> <p>25 Exhibit 130 Settlement Analysis 171</p> <p>UBS vs. Highland</p> <p>HCMUBS005304 -</p> <p>HCMUBS005321</p> <p>Exhibit 131 E-mail 177</p> <p>Subject: Sentinel</p> <p>BC SEN0000046128 -</p> <p>BC SEN0000046129</p> <p>Exhibit 132 Letter 184</p> <p>BC SEN0000767181 -</p> <p>BC SEN0000767182</p> <p>Exhibit 133 Purchase Agreement 191</p> <p>(No Bates Numbers)</p>	<p>7</p> <p>1 (Cont'd.):</p> <p>2 Exhibit 143 Asset Transfer Agreement 276</p> <p>3 UBSPROD020567 -</p> <p>4 UBSPROD020576</p> <p>5 Exhibit 144 E-mail 282</p> <p>6 Subject: Fw:</p> <p>7 Sebastian Clarke Ltd. - urgent</p> <p>8 BC SEN0000638649 -</p> <p>9 BC SEN0000638662</p> <p>10 Exhibit 145 E-mail 304</p> <p>11 Subject: Interesting to now</p> <p>12 learn that Matt had been</p> <p>13 planning to also resign</p> <p>14 from Sentinel's board</p> <p>15 BC SEN0000108912</p>
<p>6</p> <p>1 (Cont'd.):</p> <p>2 Exhibit 134 E-mail 204</p> <p>3 Subject: RE: Time to</p> <p>4 Schedule a Meeting for</p> <p>5 Sentinel Re to have an</p> <p>6 "acquaintance" meeting</p> <p>7 Wednesday afternoon June 23</p> <p>8 Exhibit 135 E-mail 217</p> <p>9 Subject: RE: Sentinel -</p> <p>10 12/31 VRC Valuation</p> <p>11 Source Docs</p> <p>12 BC SEN0000120230</p> <p>13 Exhibit 136 Excel Worksheet 221</p> <p>14 BC SEN000064513</p> <p>15 Exhibit 137 E-mail 225</p> <p>16 Subject: RE: Sentinel</p> <p>17 BC SEN0000707455 -</p> <p>18 BE SEN0000707459</p> <p>19 Exhibit 138 Policy with 237</p> <p>20 Endorsement 1 and 2</p> <p>21 MD_000010 - MD_000028</p> <p>22 Exhibit 139 E-mail 248</p> <p>23 Subject: Re:</p> <p>24 ATE Related Invoice</p> <p>25 BC SEN0000641688 -</p> <p>BC SEN0000641689</p> <p>Exhibit 140 E-mail 262</p> <p>Subject: RE: Sentinel</p> <p>BC SEN0000585041</p> <p>Exhibit 141 E-mail 267</p> <p>Subject: RE:</p> <p>Sentinel ATE endorsement #2</p> <p>BC SEN0000723353 -</p> <p>BC SEN0000723354</p> <p>Exhibit 142 E-mail 271</p> <p>Subject: Re: Sentinel</p> <p>Reinsurance Invoice Approval</p> <p>BC SEN0000667053 -</p> <p>BC SEN0000667054</p>	<p>8</p> <p>1 THE VIDEOGRAPHER: Here begins Disk No. 1</p> <p>2 in the video deposition of Thomas Adamczak.</p> <p>3 Today's date is April 12, 2022. The exact</p> <p>4 time on the video monitor is 9:06.</p> <p>5 Would the court reporter please swear in</p> <p>6 the witness.</p> <p>7 (Witness sworn.)</p> <p>8 MR. BURT: Should we make appearances for</p> <p>9 record?</p> <p>10 On behalf of UBS Jason Burt along with</p> <p>11 Katie George, and we have a number of colleagues</p> <p>12 over Zoom, Danielle McCall, Shannon McLaughlin,</p> <p>13 and Andy Clubok may join at points today.</p> <p>14 MR. WELDON: Chris Weldon as counsel for</p> <p>15 Beecher and Brown & Brown and for the witness</p> <p>16 30(b)(6) designee Thomas Adamczak.</p> <p>17 MR. BURT: And I am not sure if</p> <p>18 Mr. Feinstein is able to -- if we figured out the</p> <p>19 Zoom, but Robert Feinstein is also here on behalf</p> <p>20 of the debtor and the trustee.</p> <p>21 MR. FEINSTEIN: Yes, I figured out the</p> <p>22 Zoom.</p> <p>23 Just for my purposes I see the witness</p> <p>24 although the name on the box is not him, I assume</p> <p>25 the court reporter, but the gentleman in the gray</p>

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<p>9</p> <p>1 shirt is the witness and I see Daniella, Katie and</p> <p>2 Shannon, an 802 number, there is no picture</p> <p>3 associated with that, who all is on that number</p> <p>4 and where is that coming from?</p> <p>5 MS. GEORGE: Rob, that just the phone, we</p> <p>6 had to do the phone and the Zoom computer</p> <p>7 different. The computer looking at the witness</p> <p>8 does not have the audio, this phone number does</p> <p>9 instead. It is just a conference line in the room</p> <p>10 with us.</p> <p>11 MR. FEINSTEIN: Okay.</p> <p>12 And then who is doing the examination?</p> <p>13 MR. BURT: Rob, I am doing it. This is</p> <p>14 Jason.</p> <p>15 MR. FEINSTEIN: And you are not on the</p> <p>16 screen anywhere? Unless -- you are just on the</p> <p>17 phone?</p> <p>18 MR. BURT: No, I am here in person, only</p> <p>19 the witness is on the zoom screen.</p> <p>20 MR. FEINSTEIN: You are in the room with</p> <p>21 the witness.</p> <p>22 MR. BURT: I am.</p> <p>23 MR. FEINSTEIN: Got it, okay, thank you.</p> <p>24</p> <p>25</p>	<p>11</p> <p>1 they would if you were testifying in court?</p> <p>2 A Yes.</p> <p>3 Q From time to time I may ask a question</p> <p>4 today that you might not understand. If that's</p> <p>5 the case please just ask me to rephrase or tell me</p> <p>6 you don't understand and I will do my best to do</p> <p>7 that. If you do answer I will assume that you</p> <p>8 understood my question. Is that fair?</p> <p>9 A That's fair.</p> <p>10 Q If you need a break at any point during</p> <p>11 the deposition that's perfectly fine, just let us</p> <p>12 know. I just ask that you answer the question</p> <p>13 that has been asked before we take that break, is</p> <p>14 that fair?</p> <p>15 A Okay.</p> <p>16 Q Your attorney may object to some of the</p> <p>17 questions that I pose today. Unless your attorney</p> <p>18 instructs you not to answer do you understand that</p> <p>19 you are still obligated to answer the question?</p> <p>20 A Yes.</p> <p>21 Q Is there any reason, Mr. Adamczak, why you</p> <p>22 can't be able to answer my questions fully and</p> <p>23 truthfully today?</p> <p>24 A No.</p> <p>25 Q Throughout this deposition I am going to</p>
<p>10</p> <p>1 THOMAS ADAMCZAK, 30(b)(6),</p> <p>2 called as a witness herein, having been first duly</p> <p>3 sworn was examined and testified as follows:</p> <p>4 EXAMINATION</p> <p>5 BY MR. BURT:</p> <p>6 Q Mr. Adamczak, could you please state and</p> <p>7 spell your full name for the record?</p> <p>8 A The name is Thomas Patrick Adamczak,</p> <p>9 T-h-o-m-a-s Patrick, P-a-t-r-i-c-k, Adamczak,</p> <p>10 A-d-a-m-c-z-a-k.</p> <p>11 Q Mr. Adamczak, who do you work for?</p> <p>12 A I work for Brown & Brown formerly known as</p> <p>13 Beecher Carlson.</p> <p>14 Q Have you been deposed before?</p> <p>15 A No.</p> <p>16 Q I would like to go over just a few of the</p> <p>17 ground rules, I am sure your counsel has described</p> <p>18 some of these, just so that we can make a clear</p> <p>19 record today. You understand you were just sworn</p> <p>20 by the court reporter, and do you understand that</p> <p>21 you are under oath and --</p> <p>22 A Yes.</p> <p>23 Q -- and obligated to tell the truth today?</p> <p>24 A Yes.</p> <p>25 Q And that penalties of perjury apply as</p>	<p>12</p> <p>1 refer to Sentinel as a shorthand, and by that what</p> <p>2 I mean is Sentinel Reinsurance Limited, is that</p> <p>3 fair?</p> <p>4 A That's fair.</p> <p>5 Q And I may also refer to Beecher or Beecher</p> <p>6 Carlson, and do you understand that unless I say</p> <p>7 otherwise I mean Beecher Carlson Insurance</p> <p>8 Services, LLC, and/or Beecher Carlson Cayman</p> <p>9 Limited?</p> <p>10 A That's fair.</p> <p>11 Q You understand that you have been</p> <p>12 designated as the corporate witness or</p> <p>13 representative for Beecher Carlson for purposes of</p> <p>14 this deposition, correct?</p> <p>15 A That's correct.</p> <p>16 Q And that your answers today are on behalf</p> <p>17 of Beecher Carlson?</p> <p>18 A Correct.</p> <p>19 Q So if I ask -- if I say you in a question</p> <p>20 I am referring not just to you, Mr. Adamczak, but</p> <p>21 to Beecher Carlson as a whole.</p> <p>22 A Correct.</p> <p>23 Q I'd like to show you quickly two exhibits,</p> <p>24 we will mark this, I think we are beginning at</p> <p>25 112, so we will mark these as 112 and 113.</p>

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<p>13</p> <p>1 MR. WELDON: Federal being 112, New York 2 being 113? 3 MR. BURT: No. They will both just be 4 112. Excuse me, the same number for both cases, 5 it's just continuous in the adversary proceeding 6 and we won't mess with different exhibit labels. 7 MR. WELDON: So Exhibit 112 are both 8 subpoenas? 9 MR. BURT: Correct. 10 Exhibit 112 is the subpoena in the 11 adversary proceeding, Exhibit 113 is the exhibit 12 -- is the subpoena in the New York proceeding. 13 MR. WELDON: That's what I said, okay. 14 MR. BURT: Sorry, I got confused. 15 MR. WELDON: No problem. 16 (Document marked Walther Exhibit 112 for 17 identification.) 18 (Document marked Walther Exhibit 113 for 19 identification.) 20 BY MR. BURT: 21 Q Mr. Adamczak, referring to Exhibit 112 do 22 you recognize this as the subpoena issued in the 23 bankruptcy proceeding? 24 A I do. 25 Q And have you seen this document before?</p>	<p>15</p> <p>1 BY MR. BURT: 2 Q So you understand you are designated to 3 testify on these topics in both proceedings? 4 A Correct. 5 Q Perfect. 6 Mr. Adamczak, when did you begin working 7 for Beecher Carlson? 8 A In 2014. 9 Q And when did you begin working on Sentinel 10 matters? 11 A Probably shortly after I started with 12 Beecher. 13 Q How did it come to be that you began 14 working on the Sentinel matters? 15 A The person that I had replaced had 16 previously done work with Sentinel and it was my 17 designated client to work with. 18 Q Who did you replace? 19 A John, I don't remember his last name. 20 Q And so Sentinel is one of 21 Beecher Carlson's clients, correct? 22 A It is. 23 Q How long has Sentinel been a Beecher 24 client? 25 A Since its inception.</p>
<p>14</p> <p>1 A I have. 2 Q And have you had a chance to review the 3 topics listed in Attachment A? 4 A I have. 5 Q And you understand that you have been 6 designated to testify about these topics that are 7 listed in Attachment A, correct? 8 A I have. 9 Q Referring to Exhibit 113, do you see it is 10 a subpoena to testify in the New York proceeding 11 UBS versus Highland Capital Management and a 12 number of other parties, is that right? 13 A Yes. 14 Q And also listed in this subpoena in 15 Attachment A is a number of topics. Have you had 16 a chance to review those topics? 17 A I am seeing this for the first time now. 18 Q And I will represent to you they are the 19 same topics that are listed -- 20 A I was going to ask. 21 Q -- in the other subpoena. 22 MR. WELDON: We may have just sent him the 23 attachment to it, but he's designated for both. 24 MR. BURT: Perfect. 25</p>	<p>16</p> <p>1 Q And when you say that Sentinel is a 2 Beecher client, what precisely do you mean by 3 that? 4 A Sentinel has an agreement with 5 Beecher Carlson to provide captive management 6 services consisting of financial statements, 7 preparation, coordination of board meetings, 8 corresponding with the regulators. 9 Q Anything else that's involved in being a 10 captive insurance manager? 11 A Interacting with the various service 12 providers that Sentinel would engage for audit, 13 actuarial, whatever. 14 Q Do you know how it came to be that Beecher 15 was hired to be Sentinel's captive insurance 16 manager? 17 A I believe Beecher had helped set up the 18 captive initially. 19 Q On whose request? 20 A Someone from Highland; whoever would have 21 contacted Beecher Carlson to perform the work. 22 Q When you say Highland, who are you 23 referring to? 24 A Highland Capital Management. 25 Q Do you know who works -- or who worked at</p>

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<p>17</p> <p>1 the time for Highland Capital Management?</p> <p>2 A I believe it was J.P. Sevilla. There were</p> <p>3 a number of other employees as well that we worked</p> <p>4 with, but he was I believe the one who had done</p> <p>5 the initial work with Beecher in setting it up.</p> <p>6 Q Who else do you recall worked at that time</p> <p>7 for Highland Capital Management?</p> <p>8 A Katie Irving.</p> <p>9 Q Anyone else?</p> <p>10 A At that time that it was set up that's all</p> <p>11 that I am aware of.</p> <p>12 Q And over time did you correspond with</p> <p>13 others at Highland Capital Management?</p> <p>14 A Yes.</p> <p>15 Q Who did you correspond with?</p> <p>16 A Matt DiOrio.</p> <p>17 Q Did you understand him to work for</p> <p>18 Highland Capital Management?</p> <p>19 A Yes.</p> <p>20 Q Anyone else?</p> <p>21 A Isaac Leventon, but it was primarily</p> <p>22 through Matt DiOrio that we worked with him and on</p> <p>23 a very limited basis.</p> <p>24 Q Anyone else at Highland Capital Management</p> <p>25 that you've worked with over the years?</p>	<p>19</p> <p>1 Q So on the one hand you have the sponsoring</p> <p>2 organization and on the other you have the</p> <p>3 insurance management which in this case was</p> <p>4 Beecher?</p> <p>5 A Correct.</p> <p>6 Q How does the sponsoring organization or</p> <p>7 Highland Capital work with the insurance manager</p> <p>8 in Beecher, how did that happen?</p> <p>9 A So the captive managers like</p> <p>10 Beecher Carlson are specialized in setting up and</p> <p>11 helping to manage the captives. We have all the</p> <p>12 contacts, we being Beecher Carlson, has all the</p> <p>13 contacts with regulators and the various service</p> <p>14 providers, whether they are actuaries, attorneys,</p> <p>15 claims handlers, investment bankers.</p> <p>16 Q And what does the sponsoring business do?</p> <p>17 A They have the understanding of the risks</p> <p>18 that are being insured within the captive.</p> <p>19 Q This might be an overbroad question, but</p> <p>20 let me ask it first.</p> <p>21 Who makes the substantive decisions for</p> <p>22 the captive insurance company?</p> <p>23 MR. WELDON: Objection.</p> <p>24 Go ahead, you can answer.</p> <p>25 THE WITNESS: The directors.</p>
<p>18</p> <p>1 A Those are the only ones that come to mind.</p> <p>2 Q How about Stephanie Vitiello, does that</p> <p>3 ring a bell?</p> <p>4 A I think I have seen the name. I</p> <p>5 understand that she had attended a meeting down in</p> <p>6 the Cayman with a few other folks from Highland</p> <p>7 Capital on behalf of Sentinel, but we have had no</p> <p>8 interaction with her other than her awareness of</p> <p>9 that meeting.</p> <p>10 Q I want to ask a question about something</p> <p>11 you just said, that they attended a meeting from</p> <p>12 Highland Capital on behalf of Sentinel. Was it</p> <p>13 common that employees of Highland Capital would do</p> <p>14 things on behalf of Sentinel?</p> <p>15 A Well, a captive insurance company does not</p> <p>16 generally have any employees, so all of the</p> <p>17 employees are typically from a sponsoring</p> <p>18 organization. In this case it was Highland</p> <p>19 Capital that was that sponsoring organization.</p> <p>20 Q And what exactly does sponsoring</p> <p>21 organization mean?</p> <p>22 A They provide the direction, ideas for</p> <p>23 insurance coverage, pretty much the concept for</p> <p>24 the captive and why it came to be in the first</p> <p>25 place.</p>	<p>20</p> <p>1 BY MR. BURT:</p> <p>2 Q The directors of the insurance?</p> <p>3 A Of the insurance company.</p> <p>4 Q Who appoints the directors?</p> <p>5 A That's generally another director who</p> <p>6 might be on the board or a parent organization.</p> <p>7 Q With respect to Sentinel do you know who</p> <p>8 was making the decisions for Sentinel?</p> <p>9 A For his time that he was there Matt DiOrio</p> <p>10 was.</p> <p>11 Q When you say the time that he was there,</p> <p>12 what do you mean when he was where, at Highland</p> <p>13 Capital Management?</p> <p>14 A Right, when he was -- when he had joined</p> <p>15 Highland Capital he was appointed on the Sentinel</p> <p>16 board and was our main contact at that point</p> <p>17 forward.</p> <p>18 Q Do you know if he was making decisions on</p> <p>19 his own?</p> <p>20 A I do not.</p> <p>21 Q We will come back to some of those topics.</p> <p>22 We listed a few names, people who worked</p> <p>23 at Highland Capital Management. Let me throw out</p> <p>24 another name and let me know if you recognize it.</p> <p>25 Scott Ellington.</p>

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<p>21</p> <p>1 A I do.</p> <p>2 Q Who do you understand Mr. Ellington to be?</p> <p>3 A I understand that Scott Ellington was an</p> <p>4 attorney with Highland Capital and also one of the</p> <p>5 ultimate beneficial owners of Sentinel.</p> <p>6 Q What does ultimate beneficial owner mean?</p> <p>7 A They would be the individuals that</p> <p>8 ultimately owned Sentinel.</p> <p>9 Q Was there another ultimate beneficial</p> <p>10 owner of Sentinel?</p> <p>11 A There was.</p> <p>12 Q Who was that?</p> <p>13 A Jim Dondero.</p> <p>14 Q Does he also go by James Dondero?</p> <p>15 A James Dondero, yes.</p> <p>16 Q So it's correct, is it not, that both</p> <p>17 Mr. Ellington and Mr. Dondero with were the</p> <p>18 ultimate beneficial owners of Sentinel?</p> <p>19 A Correct.</p> <p>20 Q How did you know that?</p> <p>21 A We have been provided with organizational</p> <p>22 charts from Highland Capital and were informed</p> <p>23 that the two UBOs that sat at the top were</p> <p>24 Mr. Dondero and Mr. Ellington.</p> <p>25 Q Who provided you those documents of</p>	<p>23</p> <p>1 A Sure.</p> <p>2 Q Looking at Exhibit 114, do you see that</p> <p>3 this is a letter from Beecher Carlson Cayman</p> <p>4 limited dated November 17, 2015, correct?</p> <p>5 A Correct.</p> <p>6 Q And it is signed by a Peter A. Kranz who</p> <p>7 you list as the managing director of that Beecher</p> <p>8 entity, correct?</p> <p>9 A Correct.</p> <p>10 Q What was Mr. Kranz's role?</p> <p>11 A He is -- was the primary person that was</p> <p>12 performing captive management duties with respect</p> <p>13 to Sentinel.</p> <p>14 Q Is he located in the Caymans?</p> <p>15 A He is not.</p> <p>16 Q Is he located here?</p> <p>17 A He is located in Vermont.</p> <p>18 Q In Vermont, okay.</p> <p>19 I meant to ask earlier, does Beecher</p> <p>20 Carlson -- is it still the captive insurance</p> <p>21 manager for Sentinel?</p> <p>22 A It is.</p> <p>23 Q And are you still working on that account?</p> <p>24 A I am.</p> <p>25 Q Drawing your attention to the second page</p>
<p>22</p> <p>1 Highland Capital?</p> <p>2 A My recollection is Matt DiOrio and</p> <p>3 J.P. Sevilla.</p> <p>4 Q What is the role of an ultimate beneficial</p> <p>5 owner?</p> <p>6 A The ultimate person who would call the</p> <p>7 shots for the captive.</p> <p>8 Q Because they own it?</p> <p>9 A Correct.</p> <p>10 Q I would like to show you our next exhibit,</p> <p>11 Tab 3, we will mark this as Exhibit 114. It looks</p> <p>12 big but we are only going to look at a couple of</p> <p>13 pages.</p> <p>14 MR. WELDON: 114?</p> <p>15 MR. BURT: 114.</p> <p>16 (Document marked Exhibit 114 for</p> <p>17 identification.)</p> <p>18 BY MR. BURT:</p> <p>19 Q Mr. Adamczak, for ease I am just going to</p> <p>20 refer you to the letter that's the first and</p> <p>21 second page, and then actually the very last page</p> <p>22 of the exhibit. Feel free to flip through it, but</p> <p>23 those are the two pages that I have questions</p> <p>24 about.</p> <p>25 Are you ready, Mr. Adamczak?</p>	<p>24</p> <p>1 of this letter, No. 7, it states that the</p> <p>2 executive -- the executed representation from the</p> <p>3 directors of Sentinel confirming that Messrs James</p> <p>4 Dondero and Scott Ellington will remain as the</p> <p>5 majority beneficial owners of Sentinel and that</p> <p>6 both individuals will have the ultimate</p> <p>7 responsibility of meeting capital and solvency</p> <p>8 requirements under the proposed new structure, is</p> <p>9 that what it says there?</p> <p>10 A That is correct.</p> <p>11 Q That was Beecher's understanding in 2015?</p> <p>12 A Correct.</p> <p>13 Q Has that been the case throughout</p> <p>14 Sentinel's existence that Beecher has been</p> <p>15 servicing Sentinel that Messrs Dondero and</p> <p>16 Ellington are the ultimate beneficial owners?</p> <p>17 A That is true.</p> <p>18 Q And it is still true to this day?</p> <p>19 A That is correct.</p> <p>20 Q And is it true that both have always had</p> <p>21 the responsibility of meeting capital and solvency</p> <p>22 requirements for Sentinel?</p> <p>23 A That is correct.</p> <p>24 Q And that is true to this day as well?</p> <p>25 A That is correct.</p>

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<p>25</p> <p>1 Q You stated a moment ago that the ultimate</p> <p>2 -- the role of an ultimate beneficial owner is</p> <p>3 that they are the person who ultimately calls the</p> <p>4 shots for the captive. Is that true with respect</p> <p>5 to Mr. Dondero and Ellington and Sentinel, that</p> <p>6 they are the ones ultimately calling the shots for</p> <p>7 Sentinel?</p> <p>8 MR. WELDON: Objection.</p> <p>9 BY MR. BURT:</p> <p>10 Q You can answer.</p> <p>11 MR. WELDON: You may answer.</p> <p>12 THE WITNESS: To the best of our knowledge</p> <p>13 that is correct.</p> <p>14 BY MR. BURT:</p> <p>15 Q With Mr. Kranz did he report to you or did</p> <p>16 you report to him or work together with the</p> <p>17 Sentinel account?</p> <p>18 A I reported to Mr. Kranz.</p> <p>19 Q Is that that true to this day?</p> <p>20 A He has moved up to a different level, but</p> <p>21 in an indirect way, yes, that's still true.</p> <p>22 Q Do you report to somebody else more</p> <p>23 directly for the Sentinel account?</p> <p>24 A For the Sentinel account we have a</p> <p>25 Clayton Price down in Cayman. We actually opened</p>	<p>27</p> <p>1 BY MR. BURT:</p> <p>2 Q So, Mr. Adamczak, I am showing you what's</p> <p>3 been marked as Exhibit 115 an e-mail, it's an</p> <p>4 organizational chart attachment. Go ahead and</p> <p>5 take a look at that and let me know when you are</p> <p>6 ready.</p> <p>7 A Okay.</p> <p>8 Q So you see the top e-mail is a June, 2019</p> <p>9 e-mail from Clayton price who you mentioned a</p> <p>10 moment ago to a Leonna Saintvil at CIMA, is that</p> <p>11 right?</p> <p>12 A Correct.</p> <p>13 Q I am probably mispronouncing the name</p> <p>14 there, and it's regarding Sentinel Re CIMA</p> <p>15 requests, do you see that?</p> <p>16 A I do.</p> <p>17 Q What was going on in the June-July, 2019</p> <p>18 timeframe with respect to CIMA and Sentinel?</p> <p>19 A CIMA had performed its periodic inspection</p> <p>20 of Sentinel and this was in response to a few</p> <p>21 questions they had on that inspection.</p> <p>22 Q And looking at the first e-mail, which is</p> <p>23 from CIMA to Clayton price, I see you are cc'd on</p> <p>24 this, Question No. II is as follows, "Is USP1 and</p> <p>25 USP2 individuals, if so please amend the</p>
<p>26</p> <p>1 the Cayman office and have staff on hand in Cayman</p> <p>2 and Clayton Price is in the Cayman and he is I</p> <p>3 guess our main Cayman contact.</p> <p>4 Q Within Beecher Carlson though you were the</p> <p>5 manager of the Sentinel account, is that right?</p> <p>6 MR. WELDON: Objection.</p> <p>7 You can answer.</p> <p>8 THE WITNESS: The Beecher Carlson Cayman</p> <p>9 entity for which Beecher Carlson Insurance</p> <p>10 Services was contracted to provide services for</p> <p>11 was the manager.</p> <p>12 (Document marked Exhibit 115 for</p> <p>13 identification.)</p> <p>14 BY MR. BURT:</p> <p>15 Q I would like to show you Tab 4, we will</p> <p>16 mark it as Exhibit 115. I apologize, these aren't</p> <p>17 stapled.</p> <p>18 MR. WELDON: Can you grab a stapler?</p> <p>19 MR. BURT: Go off the record while he is</p> <p>20 grabbing it.</p> <p>21 THE VIDEOGRAPHER: We are going off the</p> <p>22 record, the time is 9:31.</p> <p>23 (Recess taken.)</p> <p>24 THE VIDEOGRAPHER: We are back on the</p> <p>25 record, the time is 9:33.</p>	<p>28</p> <p>1 organizational chart." Do you see that?</p> <p>2 A I do.</p> <p>3 Q And then in response in the front e-mail</p> <p>4 from Mr. Price, No. 2 says, "USP1 and USP2 are</p> <p>5 individuals, U.S. Person 1 and U.S. Person 2, who</p> <p>6 are known to CIMA. As referenced in my e-mail</p> <p>7 with the org chart USP1 is Scott Ellington while</p> <p>8 USP2 is James Dondero. The org chart has been</p> <p>9 revised to include their names." Do you see where</p> <p>10 I was reading?</p> <p>11 A I do.</p> <p>12 Q Is the org chart that was attached here is</p> <p>13 that the org chart that was presented to CIMA at</p> <p>14 that time?</p> <p>15 A That is.</p> <p>16 Q In looking at this org chart you see at</p> <p>17 the bottom where the branches come together the</p> <p>18 first entity underneath that is Sentinel</p> <p>19 Reinsurance Limited, is that right?</p> <p>20 A That is correct.</p> <p>21 Q Underneath that is SS Holdings, Limited.</p> <p>22 Do you know what SS Holdings Limited was?</p> <p>23 A SS Holdings Limited was a subsidiary of</p> <p>24 Sentinel Reinsurance.</p> <p>25 Q What function did it have?</p>

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<p>29</p> <p>1 A To hold the investment in SeaOne.</p> <p>2 Q And what was SeaOne?</p> <p>3 A SeaOne is a limited partnership startup</p> <p>4 company that was contributed to Sentinel back in</p> <p>5 2014, I believe.</p> <p>6 Q And who contributed it to Sentinel?</p> <p>7 A James Dondero.</p> <p>8 Q Who runs SeaOne?</p> <p>9 A I do not know.</p> <p>10 Q Do you know if Mr. Dondero -- strike that.</p> <p>11 How was Mr. Dondero affiliated with SeaOne</p> <p>12 if you know?</p> <p>13 MR. WELDON: Objection.</p> <p>14 THE WITNESS: I do not know how he is</p> <p>15 affiliated with SeaOne.</p> <p>16 BY MR. BURT:</p> <p>17 Q Do you know why he transferred the SeaOne</p> <p>18 interest to Sentinel?</p> <p>19 A As a capital contribution to increase the</p> <p>20 capital in Sentinel.</p> <p>21 Q What form did that capital take, the</p> <p>22 SeaOne interest, was it shares of shown ownership,</p> <p>23 was it cash?</p> <p>24 A Shares of ownership.</p> <p>25 Q How did the shares of ownership increase</p>	<p>31</p> <p>1 of investees other than Sentinel.</p> <p>2 Q Do you know if those investees involve</p> <p>3 Mr. Dondero or Mr. Ellington?</p> <p>4 A I do not.</p> <p>5 Q Or trusts or other organizations that they</p> <p>6 own or control?</p> <p>7 A I do not, no.</p> <p>8 Q So looking again at the org chart when you</p> <p>9 have -- above Sentinel you have a split to the</p> <p>10 right and a split to the left. And the first</p> <p>11 entity on the right that has 70% value and 91%</p> <p>12 vote is Mainspring Limited, do you see that?</p> <p>13 A I do.</p> <p>14 Q What do you understand Mainspring Limited</p> <p>15 to be?</p> <p>16 A A parent entity for Sentinel Reinsurance.</p> <p>17 Q And is it correct that Mr. Dondero</p> <p>18 ultimately owns Mainspring?</p> <p>19 A That is correct.</p> <p>20 Q Is he the only owner of Mainspring?</p> <p>21 A I do not know that.</p> <p>22 Q As you follow up the org chart up to</p> <p>23 Mr. Dondero the 70% value that went to Mainspring</p> <p>24 95% of that value ultimately ends up with</p> <p>25 Mr. Dondero, correct?</p>
<p>30</p> <p>1 Sentinel's balance sheet or capital?</p> <p>2 A We understood that the cost basis of the</p> <p>3 SeaOne ownership was \$7 million so the \$7 million</p> <p>4 flowed down into Sentinel and increased its</p> <p>5 capital base by 7 million.</p> <p>6 Q Is SeaOne -- does Sentinel still own that</p> <p>7 SeaOne interest?</p> <p>8 A Sentinel does.</p> <p>9 Q Do you know what the value of it is today?</p> <p>10 A The latest valuation that was performed it</p> <p>11 was upwards of 40 to 45 million, I believe.</p> <p>12 Q Who performed that valuation?</p> <p>13 A Valuation Research CORP.</p> <p>14 Q And they are referred to sometimes in the</p> <p>15 documents as VRC?</p> <p>16 A Correct.</p> <p>17 Q When was that valuation?</p> <p>18 A 2020.</p> <p>19 Q Do you know if Sentinel wholly owns SeaOne</p> <p>20 or are there other owners of SeaOne?</p> <p>21 A There are several other owners.</p> <p>22 Q Do you know who they are?</p> <p>23 A I do not. I have seen a document with all</p> <p>24 of the listed shareholders, various individuals,</p> <p>25 trusts, whatever. There is a significant number</p>	<p>32</p> <p>1 A According to the org chart, correct.</p> <p>2 Q Do you have an understanding to the</p> <p>3 contrary?</p> <p>4 A I do not.</p> <p>5 Q And then 9% of the vote goes to</p> <p>6 Mr. Dondero and then 91% of the vote is split off</p> <p>7 into Kind Holdings, Limited, do you see that?</p> <p>8 A I do.</p> <p>9 Q What is Kind Holdings?</p> <p>10 A An entity in the structure.</p> <p>11 We really did not have any knowledge other</p> <p>12 than what was presented in the org chart as far as</p> <p>13 any of the entities above Sentinel.</p> <p>14 Q Was that something that Highland was</p> <p>15 managing?</p> <p>16 A Correct.</p> <p>17 Q And was it Mr. DiOrio who most often</p> <p>18 communicated to you about those issues?</p> <p>19 A Anything pertaining to the entities within</p> <p>20 the Sentinel structure or the SAS structure as we</p> <p>21 would refer to it would either be communicated by</p> <p>22 Matt DiOrio, JP Sevilla, or Katie Irving.</p> <p>23 Q Got it.</p> <p>24 Looking to the left branch above Sentinel</p> <p>25 it states 30% of value and 9% of vote goes to</p>

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<p>33</p> <p>1 Montage Holdings, Limited do you see that on the 2 chart? 3 A I do. 4 Q Is Montage Holdings Limited owned by 5 Mr. Ellington? 6 A According to the org chart. 7 Q And you don't have an understanding 8 differently? 9 A I do not. 10 Q And then 99% of that value that went to 11 Montage ultimately flows up to Mr. Ellington 12 according to the chart, correct? 13 A Correct. 14 Q In the middle, for the it looks like 15 approximately 1.5% of value that does not go to 16 Mr. Dondero and Mr. Ellington it looks like it 17 flows ultimately to SAS Holdings/SPV Limited, 18 correct? 19 A Correct. 20 Q What do you understand that entity to be? 21 A I do not have any knowledge of what that 22 entity represents. 23 Q Do you know who owned it? 24 A I do not. 25 Q Do you know who controlled it?</p>	<p>35</p> <p>1 A There were a few entities that CIMA 2 identified as not really adding any value to the 3 organization and they felt those entities confused 4 the purpose and the structure and they had 5 requested that those entities be removed, 6 simplified. 7 Q Did they send that request to Beecher? 8 A It was included within the inspection 9 report. 10 Q We will come to that in a few minutes. 11 And in response to that there was a 12 simplification of the -- 13 A That is correct. 14 Q -- the ownership structure. 15 Who carried out that reorganization? 16 A The Sentinel directors and the folks at 17 Highland Capital along with their attorneys. 18 Q But Beecher didn't have any role in that? 19 A Other than communicating with CIMA that 20 was our role. 21 Q Keep that handy, that org chart. 22 I do want to show you another exhibit. We 23 will mark this mark this one as 116. Fortunately 24 this one is stapled. 25</p>
<p>34</p> <p>1 A I do not. 2 Q And above that it states ITA Red Cross. 3 Do you know what that refers to? 4 A To my knowledge there was a charitable 5 organization that was set up to have some partial 6 ownership. And that's all I know, that's all we 7 were really told about. 8 Q As far as the voting interests in Sentinel 9 where the majority of that goes to SAS Holdings 10 and then up to ITA, do you know what that meant in 11 practical terms, that the voting interests in 12 Sentinel went to SAS and then to ITA? 13 A I do not know. 14 Q No understanding at all? 15 A I do not know, no. 16 Q But ultimately, as you testified earlier, 17 you understood that Mr. Dondero and Mr. Ellington 18 were the ones calling the shots? 19 A That is correct. 20 Q Was there a corporate reorganization of 21 all of these entities that occurred around this 22 time in 2019? 23 A There was some reorganization at the 24 request of CIMA. 25 Q And do you know what that request was?</p>	<p>36</p> <p>1 (Document marked Exhibit 116 for 2 identification.) 3 BY MR. BURT: 4 Q If you can just look first at the e-mail 5 chain, Mr. Adamczak, I have a few questions about 6 that and then I will direct you to specific 7 attachments and you obviously can take your time 8 to look at the attachments when we go there. 9 A Okay. 10 Q So the beginning with the first-in-time 11 e-mail, it's from you dated February 5, 2019 to 12 Clayton, Mr. Price, regarding the Sentinel CIMA 13 exam. You referred -- I think you referred to 14 that earlier. Was that -- the CIMA annual exam, 15 was that going on in February of 2019? 16 A So it's not an annual exam, it probably 17 occurs on whatever periodic schedule they might 18 have, but on average every five years is the 19 standard. 20 This time period I believe would have been 21 their initial notice of certain request items for 22 the examination maybe and these were items that 23 were being provided during the inspection. 24 Q And you say here, "Clayton, here are the 25 items that have not been uploaded on account of</p>

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<p>37</p> <p>1 them being unavailable." If you recall, what did 2 you mean by that? 3 A Typically with the inspection is they will 4 send out a request list require by a certain date 5 these documents are provided. These documents 6 would have been either unavailable at a time 7 whether it was we had to obtain them from somebody 8 else or we were still searching for the applicable 9 documents that they were looking for. 10 Q So as we go through some of these 11 attachments I will ask you if these were ones that 12 you had to obtain from Highland or that Beecher 13 didn't have before then. 14 And it appears then that in early March, 15 about a month later, Mr. Price forwards these on 16 to CIMA and then CIMA confirms receipt, is that 17 right? 18 A That is correct. 19 Q The first -- and we see Alli in the top 20 e-mail, the last-in-time, there is four 21 attachments listed, right? 22 A Yes. 23 Q The first one I want to look at is 24 actually the third attachment, and I will point 25 you to that. There is advisory -- there is the</p>	<p>39</p> <p>1 right? 2 A Correct. 3 Q Now, okay, so looking at this document its 4 title is Resolutions of ITA Global Trust Limited, 5 the Trustee, of the Trust Declared Pursuant to a 6 Deed Dated 17 February 2015. 7 Now, to orient, that org chart that we 8 were looking at in the previous exhibit at the top 9 had ITA and then Red Cross, is that right? 10 A It does. 11 Q Do you know if this ITA Global Trust 12 Limited referred to in this exhibit refers to the 13 same ITA? 14 A I do not. 15 Q Okay. Are you familiar with ITA Global 16 Trust Limited? 17 MR. WELDON: Objection, asked and 18 answered. 19 You can answer it again. 20 THE WITNESS: I am sorry, I do not. 21 BY MR. BURT: 22 Q You are not familiar? 23 A I am not familiar. 24 Q Is today the first time you have heard of 25 it?</p>
<p>38</p> <p>1 board of directors minutes, so skip that for now, 2 and then there is a number of pages of bullet 3 point notes from an advisory committee, so skip 4 that. And then Attachment 3, and you will see at 5 the bottom the number, the Bates number ends in 6 76075, do you see that? 7 A Yes, I do have it. 8 Q And, actually, while we are looking at 9 that Bates number you see it begins with BC SEN, a 10 number of 0s, and then 76075? 11 A I do. 12 Q And do you understand that those are 13 documents that Beecher Carlson produced pursuant 14 to subpoena? 15 A I do. 16 Q And documents that have the -- that 17 beginning with BC SEN or SEN, those were documents 18 that Beecher had in its possession, is that right? 19 A Correct. 20 Q And keeping these documents was part of 21 Beecher's normal business practices? 22 A That was the role of the captive manager, 23 correct. 24 Q And these documents would have been kept 25 in the ordinary course of that role, is that</p>	<p>40</p> <p>1 A I have heard of it and seen this document, 2 but I do not know its significance with respect to 3 Sentinel. 4 Q This refers to an advisory board, if you 5 look at the whereas Clause A, "The Trustee wishes 6 to establish an advisory board to advise the 7 Trustee to guide the decision making of the 8 decision making of the ITA trust in its role as an 9 indirect shareholder in Sentinel Reinsurance," do 10 you see that last clause? 11 A I do. 12 Q Does that refresh your recollection at all 13 about ITA? 14 A It does not. 15 Q Okay. 16 And then on the first page under 17 Section 1.1.1, it states, "The advisory board 18 shall consist of such number of members all being 19 individuals as the Trustee determines from time to 20 time and shall initially be two members, namely 21 Scott B. Ellington and James Dondero," do you see 22 that? 23 A I do. 24 Q Were you familiar with this advisory board 25 at all?</p>

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<p>41</p> <p>1 A I am familiar with the existence of it.</p> <p>2 Q What do you know about it?</p> <p>3 MR. WELDON: Objection, asked and</p> <p>4 answered.</p> <p>5 You can answer it again.</p> <p>6 THE WITNESS: Just that it existed and</p> <p>7 that's really all I know about it.</p> <p>8 BY MR. BURT:</p> <p>9 Q Going to the second attachment, right</p> <p>10 after the board minute meetings, the board meeting</p> <p>11 minutes, it talks about a Sentinel advisory</p> <p>12 committee discussion, do you see that?</p> <p>13 A I do see it.</p> <p>14 Q Do you know what the Sentinel advisory</p> <p>15 committee was?</p> <p>16 A My recollection is these were internal</p> <p>17 discussions had by Mr. Ellington and Mr. Dondero</p> <p>18 regarding the Sentinel structure.</p> <p>19 Q Did they call themselves the Sentinel</p> <p>20 Advisory Committee?</p> <p>21 A I am not aware.</p> <p>22 Q You are aware that they were the ones who</p> <p>23 were having these discussions?</p> <p>24 A That is correct.</p> <p>25 Q And you see that Scott Ellington signs</p>	<p>43</p> <p>1 Ellington were reporting to the Sentinel board</p> <p>2 that they were having discussions about the</p> <p>3 potential ATE policy?</p> <p>4 A They never attended the board meetings.</p> <p>5 Q Do you know if copies of these advisory</p> <p>6 committee discussions were provided to the board</p> <p>7 for the board to review?</p> <p>8 A I am not aware of them being provided to</p> <p>9 the board for review.</p> <p>10 Q And part of Beecher's role as the</p> <p>11 insurance manager is to maintain the books and</p> <p>12 records for the company, right?</p> <p>13 A That is correct.</p> <p>14 Q But these records were not provided to</p> <p>15 Beecher at the time that they were actually</p> <p>16 created?</p> <p>17 A That is correct.</p> <p>18 MR. WELDON: You are talking about, just</p> <p>19 so we are clear, the Sentinel Advisory Committee</p> <p>20 discussions?</p> <p>21 MR. BURT: Correct, yes.</p> <p>22 BY MR. BURT:</p> <p>23 Q Do you know if the ITA Global Trust</p> <p>24 resolution was provided to Beecher prior to</p> <p>25 February, 2019 or was that only later as well?</p>
<p>42</p> <p>1 this as the recording member, is that right?</p> <p>2 A I do see that.</p> <p>3 Q Did Beecher -- when did Beecher get a copy</p> <p>4 of these advisory committee discussion notes?</p> <p>5 A We would have obtained these at the</p> <p>6 request of CIMA probably around the same time that</p> <p>7 this was conducted.</p> <p>8 Q So that would have been in February</p> <p>9 of 2019?</p> <p>10 A Correct.</p> <p>11 Q This committee discussion, the very first</p> <p>12 one, says Q1 2017 and is dated February 2, 2017.</p> <p>13 And it states, "Discussion of potential ATE policy</p> <p>14 and engagement of actuary, review of investment</p> <p>15 returns," do you see that?</p> <p>16 A I do.</p> <p>17 Q So this was not provided to Beecher in</p> <p>18 February of 2017 but only two years later, is that</p> <p>19 right?</p> <p>20 A That is correct.</p> <p>21 Q Did Beecher have any knowledge that in</p> <p>22 February of 2017 Mr. Ellington and Mr. Dondero</p> <p>23 were talking about a potential ATE policy?</p> <p>24 A No.</p> <p>25 Q Do you know if Messrs Dondero and</p>	<p>44</p> <p>1 A I don't recall having seen it prior to</p> <p>2 when it was provided to CIMA.</p> <p>3 Q In looking at your e-mail, what we first</p> <p>4 looked at when you said they were unavailable, do</p> <p>5 you recall who provided them to you in February</p> <p>6 of 2019, these materials?</p> <p>7 A I believe they would have come from</p> <p>8 Matt DiOrio.</p> <p>9 Q Looking back at the advisory committee</p> <p>10 discussions, we have looked at the first page, the</p> <p>11 second page is dated May 4, 2017, it says</p> <p>12 discussion re audit, do you know what they were</p> <p>13 referring to then, an audit in May of 2017?</p> <p>14 A The Sentinel annual audit, which would</p> <p>15 have been conducted around that time period.</p> <p>16 Q And who conducted the audit?</p> <p>17 A In 2017 I believe that was Crowe.</p> <p>18 Q And were they one of the service providers</p> <p>19 that Beecher are arranged?</p> <p>20 A That is correct.</p> <p>21 Q Then Q3 of 2017 it states there is a</p> <p>22 discussion of potential ATE policy and engagement</p> <p>23 of actuary and then another discussion re about</p> <p>24 it.</p> <p>25 Again, Beecher was not aware that this</p>

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<p>45</p> <p>1 committee of Mr. Ellington and Dondero were 2 discussing the potential ATE policy in August 3 of 2017, correct? 4 MR. WELDON: Objection. 5 THE WITNESS: Correct. 6 BY MR. BURT: 7 Q If you flip to the next page, Q4, 2017, 8 dated November 7, 2017, it states documentation of 9 ATE policy and closing of same. 10 And, again, Beecher was not aware that 11 Messrs Dondero and Ellington were speaking about 12 and documenting these discussions at that time, 13 correct? 14 MR. WELDON: Objection, you can answer. 15 THE WITNESS: That's correct. 16 BY MR. BURT: 17 Q It states that the closing of the ATE 18 policy -- I don't know if it states that it took 19 place around November -- strike that. 20 Let me just ask this way. When did the 21 ATE policy close or come into effect? 22 A I believe the ATE policy inception in 23 August of 2017. 24 Q And then they discussed the settlement of 25 the transferred investment portfolio.</p>	<p>47</p> <p>1 transfer in a little bit more detail in a bit, but 2 let me just ask this. Do you know when the 3 valuation of those assets took place? 4 A The valuations would have been performed 5 late in 2017, early 2018, but there would have 6 been valuations that were performed as of the date 7 that the assets were transferred in so that we had 8 a starting point and then another valuation as of 9 the 12/31/2017 year-end. 10 Q And were those valuations done by 11 valuation Resource Corp.? 12 A Research Corp., correct. 13 Q Research. 14 When did Beecher first become aware of the 15 possibility of an ATE policy for Sentinel? 16 A The business plan for Sentinel had 17 previously requested and approved from CIMA the 18 ability to write ATE coverage, and I believe there 19 were several different types of coverages that 20 were requested at the time. There were multiple 21 discussions between Pete Kranz and J.P. Sevilla to 22 discuss insurance coverages to put in to the 23 captive, and ATE was one concept that J.P. had 24 brought to the discussion. 25 The specific event that was ultimately</p>
<p>46</p> <p>1 Again, that information that they were 2 discussing, that investment portfolio, that was 3 not conveyed to Beecher at the time, correct? 4 MR. WELDON: Objection. 5 You can answer. 6 THE WITNESS: So this time period here, 7 November of 2017, would have been after the ATE 8 policy had inception and after the transfer of the 9 assets to Sentinel, so we were aware of the 10 portfolio as we were attempting to try and value 11 everything that was received. 12 BY MR. BURT: 13 Q Right. 14 And my question was that Beecher wasn't 15 aware that Mr. Dondero and Ellington as part of 16 this Sentinel Advisory Committee were having these 17 discussions. 18 A At no point until we -- 19 MR. WELDON: Hold on, objection. 20 You can answer, go ahead. 21 THE WITNESS: At no point until we 22 received these summaries did we know of the 23 existence of these internal discussions. 24 BY MR. BURT: 25 Q We are going to talk about the asset</p>	<p>48</p> <p>1 insured in the captive I believe it was in early 2 2017 that they were -- J.P. and Pete were 3 discussing it and started looking at moving it 4 forward and drafting the policy. 5 Q Were you involved in those discussions? 6 A I was not involved directly into 7 discussions, but I was provided with information 8 subsequently. 9 Q When did you get involved with that 10 particular ATE policy that was actually -- 11 A For me it was primarily once the 12 accounting needed to be addressed. 13 Q When was that? 14 A Mid 2017. 15 Q The discussions that Mr. Kranz had with 16 J.P. in early 2017, what did those involve? 17 MR. WELDON: Objection, it misstates his 18 earlier testimony. 19 BY MR. BURT: 20 Q You can answer, and if I did it was 21 unintentional. 22 The discussions that Mr. Sevilla and 23 Mr. Kranz were having, I believe you said in early 24 2017, they began discussing the particular ATE 25 policy that was ultimately issued.</p>

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<p style="text-align: right;">49</p> <p>1 A That's correct.</p> <p>2 Q Do you know what they were discussing</p> <p>3 precisely?</p> <p>4 A They would have discussed limits, premium,</p> <p>5 the nature of how the premium would be paid,</p> <p>6 policy language.</p> <p>7 Q Who the insureds would be?</p> <p>8 A Who the insureds would be, the specific</p> <p>9 event that was being covered.</p> <p>10 Q And what was the event that was being</p> <p>11 covered?</p> <p>12 A It was the UBS litigation matter.</p> <p>13 Q And at that time what was Beecher's</p> <p>14 understanding of who was involved in that UBS</p> <p>15 litigation, who was UBS suing, in other words,</p> <p>16 what was Beecher's knowledge?</p> <p>17 A Highland Capital and the particular funds.</p> <p>18 Q What did Beecher understand at that time</p> <p>19 about who controlled and owned those funds?</p> <p>20 A Beecher's understanding was that the funds</p> <p>21 were controlled by Highland Capital Management.</p> <p>22 Q Do you know which funds in particular were</p> <p>23 at issue?</p> <p>24 A The funds that -- I don't know off the top</p> <p>25 of my head, but it's the funds that are the</p>	<p style="text-align: right;">51</p> <p>1 BY MR. BURT:</p> <p>2 Q So I am going to show you another exhibit,</p> <p>3 Mr. Adamczak, we are going to come back to the ATE</p> <p>4 policy in just a moment.</p> <p>5 You mentioned the management agreement</p> <p>6 between Beecher and Sentinel, I just would like to</p> <p>7 take a quick look at that. We will mark this as</p> <p>8 117.</p> <p>9 (Document marked Exhibit 117 for</p> <p>10 identification.)</p> <p>11 BY MR. BURT:</p> <p>12 Q Showing you, Mr. Adamczak, what has been</p> <p>13 Bates labeled BC SEN000361175, go ahead and take a</p> <p>14 look at that and let me know when you are ready.</p> <p>15 A I am ready.</p> <p>16 Q Great.</p> <p>17 So what do you understand this document to</p> <p>18 be?</p> <p>19 A This is the agreement between Beecher</p> <p>20 Carlson Cayman and Sentinel to provide captive</p> <p>21 management services.</p> <p>22 Q And this is the agreement that governed</p> <p>23 the relationship between Beecher and Sentinel, is</p> <p>24 that right?</p> <p>25 A That is correct.</p>
<p style="text-align: right;">50</p> <p>1 insureds.</p> <p>2 Q In the policy?</p> <p>3 A In the policy.</p> <p>4 Q Got it, okay. We will come to that in a</p> <p>5 moment.</p> <p>6 Actually, let's -- I do want to show him</p> <p>7 the policy.</p> <p>8 MR. BURT: Do you need a break, you good?</p> <p>9 THE WITNESS: I am good for now.</p> <p>10 MR. BURT: Usually we take a break about</p> <p>11 every hour, but we can keep going for a few</p> <p>12 minutes.</p> <p>13 MR. WELDON: Do you want water or</p> <p>14 anything? I will make it easy.</p> <p>15 THE WITNESS: Let's do that.</p> <p>16 MR. BURT: That's why you have an attorney</p> <p>17 here, we will go off the record.</p> <p>18 THE VIDEOGRAPHER: This marks the end of</p> <p>19 Disk No. 1 in the deposition of Thomas Adamczak,</p> <p>20 the time on the video monitor is 10:00 o'clock --</p> <p>21 10:05.</p> <p>22 (Recess taken.)</p> <p>23 THE VIDEOGRAPHER: Here begins Disk No. 2</p> <p>24 in the deposition of Thomas Adamczak, we are back</p> <p>25 on the record, the time is 10:18.</p>	<p style="text-align: right;">52</p> <p>1 Q And continues to do so to this day?</p> <p>2 A Correct.</p> <p>3 Q And the effective date of this agreement</p> <p>4 is October 1, 2013, right?</p> <p>5 A That is correct.</p> <p>6 Q Which is just before you began at Beecher?</p> <p>7 A Correct.</p> <p>8 Q Flipping to the signature page, Page 4, do</p> <p>9 you know who signed on behalf of Beecher Carlson?</p> <p>10 A Jason Flexbeard.</p> <p>11 Q Who is he?</p> <p>12 A Jason Flexbeard at the time was the leader</p> <p>13 of the captive practice at Beecher Carlson.</p> <p>14 Q Who signed on behalf of Sentinel?</p> <p>15 A Kobi Dorenbush.</p> <p>16 Q It states director, is that a Mr. or Ms.?</p> <p>17 A Mr., I believe.</p> <p>18 Q Is he a director of Sentinel at the time?</p> <p>19 A He was a director of Sentinel and was with</p> <p>20 Caledonian. Caledonian was a company that had</p> <p>21 provided outside director services to captives or</p> <p>22 investment companies or whatever in the Cayman.</p> <p>23 Q Looking at Exhibit A to the agreement, do</p> <p>24 you see the first section is the description of</p> <p>25 services. Is it correct, Mr. Adamczak, that this</p>

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<p>53</p> <p>1 section, Section 1, describes all of the services 2 that Beecher Carlson provides for Sentinel? 3 A It describes all of the standard services 4 that are provided under the captive management. 5 Q Are there any services beyond what's 6 listed here that Beecher provides? 7 A No. 8 Q So I just want to look at a couple of 9 these, the first, which is a little a, states 10 "Maintain copies of such records, ledgers, and 11 books of accounts as will constitute a complete 12 and current record of the financial condition of 13 Sentinel in accordance with establishing 14 accounting principles applicable to the business 15 of insurance and reinsurance as directed by 16 Sentinel's directors and officers," do you see 17 that? 18 A I do. 19 Q And is that something that Beecher 20 provides? 21 A That is. 22 Q B states "Prepare comprehensive quarterly 23 financial statements, including profit and loss 24 and balance sheet statements and information with 25 respect to Sentinel as may be required by law or</p>	<p>55</p> <p>1 statements, profit and loss and balance sheet 2 statements, to Beecher, is that right? 3 A Correct. 4 Q And is that how its actually been in 5 practice, that Highland Capital requests that 6 financial information? 7 A That is correct. 8 Q And has it mostly been J.P. Sevilla and 9 Matt DiOrio who requested that information? 10 A That is correct. 11 Q Has Katie Irving as well? 12 A She was probably copied on the 13 correspondence when the financial statements were 14 sent out, but she wouldn't necessarily -- she 15 wouldn't necessarily provide the financial 16 direction requests. 17 Q Those would come through Mr. Sevilla -- 18 you say Sevilla? 19 A Sevilla. 20 Q -- Sevilla or Mr. DiOrio the direction? 21 A Correct. 22 Q And at times Mr. Leventon? 23 MR. WELDON: Objection. 24 THE WITNESS: No. 25</p>
<p>54</p> <p>1 requested by Sentinel through Highland Capital," 2 do you see that? 3 A I do. 4 Q And those are services that Beecher 5 provides? 6 A That is correct. 7 Q So one question about this, the last 8 clause states "requested by Sentinel through 9 Highland Capital." What did you understand or 10 what does that mean in the context of the services 11 agreement? 12 A That would mean that Highland Capital 13 being the sponsoring organization that I described 14 earlier would be the one providing direction for 15 Sentinel and what Sentinel wanted to do. 16 Q And does Highland Capital here refer to 17 Highland Capital Management? 18 A I believe that is correct. 19 Q And is that the same entity that is a 20 defendant in the UBS suit in New York? 21 MR. WELDON: Objection. 22 THE WITNESS: I believe that's correct. 23 BY MR. BURT: 24 Q And so according to this Sentinel can 25 request through Highland Capital financial</p>	<p>56</p> <p>1 BY MR. BURT: 2 Q Did Mr. Dondero or Mr. Ellington ever make 3 requests for this information? 4 A Not directly to Beecher Carlson. 5 Q Did they make it indirectly? 6 MR. WELDON: Objection. 7 THE WITNESS: I am not aware if they did 8 or not. 9 BY MR. BURT: 10 Q The communications came from Mr. Sevilla 11 and Mr. DiOrio? 12 A That is correct. 13 Q Do you know at whose direction Mr. Sevilla 14 or Mr. DiOrio would request this type of 15 information? 16 A I do not. 17 Q The visibility sort of ended there for 18 Beecher Carlson at that level? 19 A Yes. 20 Q Have you ever spoken with Mr. Dondero or 21 Mr. Ellington directly? 22 A I have not. 23 Q Have you ever had e-mail communications 24 with them directly? 25 A I have not.</p>

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<p>57</p> <p>1 Q Do you know if anyone at Beecher has?</p> <p>2 A I believe that when the captive was set up</p> <p>3 Beecher Carlson might have had a few initial</p> <p>4 discussions with Scott Ellington, but it was only</p> <p>5 initially and certainly hasn't been anything since</p> <p>6 then. Everything has gone through Matt DiOrio and</p> <p>7 J.P. Sevilla.</p> <p>8 Q Is that typical that ultimate beneficial</p> <p>9 owners don't have communications with Beecher?</p> <p>10 MR. WELDON: Objection.</p> <p>11 THE WITNESS: I think that's probably not</p> <p>12 out of the ordinary. There is always going to be</p> <p>13 somebody that may have -- maybe the risk manager</p> <p>14 or somebody that's more involved with the risk</p> <p>15 management program than, say, the ultimate</p> <p>16 openers, so it's not out of the ordinary that it</p> <p>17 wouldn't be the top dogs that we are dealing with.</p> <p>18 BY MR. BURT:</p> <p>19 Q You have also testified that Mr. Dondero</p> <p>20 and Ellington were calling the shots for Sentinel.</p> <p>21 Is it ordinary that the people who are actually</p> <p>22 calling the shots for the captive don't</p> <p>23 communicate with Beecher directly?</p> <p>24 MR. WELDON: Objection.</p> <p>25 THE WITNESS: It's difficult to say</p>	<p>59</p> <p>1 A Mr. DiOrio would as well as the other</p> <p>2 directors.</p> <p>3 Q Would Mr. Sevilla attend as well?</p> <p>4 A He had attended some of them, but</p> <p>5 typically once Matt was involved it was just Matt</p> <p>6 from Highland.</p> <p>7 Q How about Ms. Irving, did she attend?</p> <p>8 A I think early on, but not the later</p> <p>9 meetings.</p> <p>10 Q Do you know why they attended?</p> <p>11 A It was before Matt so J.P. was our main</p> <p>12 contact at Highland at the time.</p> <p>13 Q But he wasn't on the Sentinel board,</p> <p>14 right?</p> <p>15 A He was never on the board.</p> <p>16 Q Is it common for the sponsoring company's</p> <p>17 personnel to attend board meetings even if not on</p> <p>18 the board?</p> <p>19 A It is.</p> <p>20 Q Item F here states "Facilitate the</p> <p>21 investment of available funds in accordance with</p> <p>22 written instructions from Sentinel through</p> <p>23 Highland Capital." So did Beecher provide that</p> <p>24 service for Sentinel?</p> <p>25 A Yes.</p>
<p>58</p> <p>1 because our contact was with J.P. and Matt and</p> <p>2 they were the ones that would provide any</p> <p>3 direction for what we were doing.</p> <p>4 BY MR. BURT:</p> <p>5 Q Looking down at E, referring back to the</p> <p>6 management agreement, E states "coordinate and</p> <p>7 attend Sentinel's annual meeting." What does that</p> <p>8 refer to?</p> <p>9 A There would be a requirement in the Cayman</p> <p>10 for the captives to have periodic meetings to</p> <p>11 discuss governance items typically on an annual</p> <p>12 basis. As part of our role as captive managers we</p> <p>13 would be preparing the board books, pulling all</p> <p>14 documentation together, coordinating with anyone</p> <p>15 that would be presenting and scheduling the</p> <p>16 meeting.</p> <p>17 Q How often did the Sentinel board have a</p> <p>18 meeting?</p> <p>19 A Approximately once a year.</p> <p>20 Q Would Beecher schedule those?</p> <p>21 A Beecher would.</p> <p>22 Q And Beecher would attend those meetings?</p> <p>23 A That is correct.</p> <p>24 Q And is it also correct that Mr. DiOrio as</p> <p>25 director of Sentinel would attend?</p>	<p>60</p> <p>1 Q And were those instructions for investing</p> <p>2 funds did those come from Highland Capital?</p> <p>3 A They did.</p> <p>4 Q So Highland Capital made all decisions as</p> <p>5 far as the investments of Sentinel assets, is that</p> <p>6 right?</p> <p>7 A That is correct.</p> <p>8 Q Beecher wasn't making those decisions on</p> <p>9 its own, correct?</p> <p>10 A Beecher was not.</p> <p>11 Q Wasn't authorized to make those decision</p> <p>12 the?</p> <p>13 A They were not. We may have been consulted</p> <p>14 with and discussions, we can advise the directors</p> <p>15 on how to or how we think that might make sense</p> <p>16 given their situations, but we wouldn't ultimately</p> <p>17 call the shots, that decision was either with the</p> <p>18 directors.</p> <p>19 Q Here it says actually that the</p> <p>20 instructions come from Highland Capital, not the</p> <p>21 directors, right?</p> <p>22 A So at the time there were outside</p> <p>23 directors that didn't have Highland's financial</p> <p>24 interest in mind, I guess they would have been</p> <p>25 focusing on Sentinel, so any direction would have</p>

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<p>61</p> <p>1 been at the request of Highland Capital.</p> <p>2 Q Let me break that down a little bit to</p> <p>3 make sure I understand.</p> <p>4 You said the directors didn't have</p> <p>5 Highland's financial interest in mind, did I have</p> <p>6 that right?</p> <p>7 MR. WELDON: Objection, for clarification,</p> <p>8 outside directors.</p> <p>9 MR. BURT: The outside directors, thank</p> <p>10 you.</p> <p>11 BY MR. BURT:</p> <p>12 Q The outside directors didn't have</p> <p>13 Highland's financial interest in mind?</p> <p>14 A At the time that's correct, they weren't</p> <p>15 -- when the captive was originally set up I am not</p> <p>16 sure. We can back up.</p> <p>17 Q Let's back up and break it down.</p> <p>18 So outside directors first, by that do you</p> <p>19 mean directors who were not affiliated with</p> <p>20 Highland?</p> <p>21 A That is correct.</p> <p>22 So there was a requirement that there were</p> <p>23 some outside independent directors that were</p> <p>24 involved on the board for Sentinel, and up until</p> <p>25 Matt DiOrio was -- had joined Highland Capital</p>	<p>63</p> <p>1 focused on liquidity on some of the investments</p> <p>2 maybe, I don't know.</p> <p>3 Q Instructions for investments never came</p> <p>4 from those outside directors, right, for the</p> <p>5 Sentinel investments?</p> <p>6 A They wouldn't have initiated. They would</p> <p>7 have been brought in to discussions with the</p> <p>8 Highland folks or J.P. and Matt and ultimately</p> <p>9 made the decision at the end to invest in this</p> <p>10 vehicle or that vehicle.</p> <p>11 Q They being the entire board?</p> <p>12 A The board of directors were ultimately</p> <p>13 responsible for making those decisions.</p> <p>14 Q Do you know what -- if J.P. was overseeing</p> <p>15 that or directing those decisions that the board</p> <p>16 was making?</p> <p>17 A I believe so.</p> <p>18 Q Do you know if the board ever rejected</p> <p>19 directions given by a Highland employee and did</p> <p>20 something different?</p> <p>21 A I am not aware of anything.</p> <p>22 Q Moving down to J in the management</p> <p>23 agreement, and then there is a bunch of sub</p> <p>24 romanettes there, I will highlight a couple, J</p> <p>25 states "Make withdrawals from time to time in</p>
<p>62</p> <p>1 there were only outside independent directors on</p> <p>2 Sentinel's board and then Matt was appointed,</p> <p>3 there was another individual from Highland Capital</p> <p>4 that was added to the board, and so there were</p> <p>5 four total directors, two outside independent</p> <p>6 directors and two Highland Capital</p> <p>7 representatives.</p> <p>8 Q Who was the other Highland Capital</p> <p>9 director?</p> <p>10 A Dilip Massand.</p> <p>11 Q When did Mr. DiOrio join the board?</p> <p>12 A I believe it was 2018.</p> <p>13 Q Let's go back to the outside directors,</p> <p>14 you said they didn't have Highland's financial</p> <p>15 interests in mind because they weren't affiliated</p> <p>16 with Highland, right?</p> <p>17 A They weren't affiliated with Highland but</p> <p>18 they were appointed to act on behalf of Sentinel;</p> <p>19 not necessarily what Highland's motives might be,</p> <p>20 I guess.</p> <p>21 Q Why would it matter as far as Sentinel's</p> <p>22 investments went whether the directors had</p> <p>23 Highland's financial interests in mind?</p> <p>24 A I don't know that it necessarily mattered</p> <p>25 other than they might -- they might be more</p>	<p>64</p> <p>1 accordance with written authorization procedures</p> <p>2 established by Sentinel from any bank account or</p> <p>3 accounts established by Sentinel in order to pay</p> <p>4 in a timely manner the necessary, reasonable, and</p> <p>5 proper expenses of Sentinel." And then it lists</p> <p>6 the expenses that are included but not limited to</p> <p>7 and it lists a bunch, do you see that?</p> <p>8 A I do.</p> <p>9 Q Is that what Beecher does, it makes those</p> <p>10 withdrawals for payments that come from Sentinel?</p> <p>11 MR. WELDON: Objection.</p> <p>12 THE WITNESS: That is a typical service</p> <p>13 that is provided, but it is going to come with</p> <p>14 proper authorization from the directors.</p> <p>15 BY MR. BURT:</p> <p>16 Q And who would provide -- who would</p> <p>17 actually provide authorization for payments to</p> <p>18 Beecher?</p> <p>19 A The directors.</p> <p>20 The way that the account was set up was</p> <p>21 that Beecher would initiate the transactions in</p> <p>22 the system at least as far as the current bank</p> <p>23 account is Beecher would initiate the transactions</p> <p>24 and the invoice and requests for processing and</p> <p>25 request for approval would be sent to the</p>

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<p>65</p> <p>1 directors who would give their formal approval, 2 this is the outside directors, and they would 3 release the payments on the system. 4 Q Where did Beecher -- who provided the 5 invoice in the initial request to Beecher? 6 A The primary person to provide invoices to 7 Beecher, it was Matt DiOrio, unless it was a 8 service provider that Beecher worked closely with, 9 whether it was the audit firm or the actuary, 10 those would come directly to Beecher and then 11 Beecher would submit them to Matt, get his okay, 12 and then they would go to the outside directors 13 for their approval. 14 Q So ultimately the outside directors had to 15 sign off on any expense payment by Sentinel? 16 A That is correct. 17 Q Did that always happen? 18 A That is true, yes. 19 Q Were any invoices from DiOrio -- that 20 DiOrio submitted were any not approved by the 21 directors? The outside directors, let me be more 22 specific. 23 A I don't believe there were any that 24 ultimately were not approved. 25 Q Since Mr. DiOrio is no longer with</p>	<p>67</p> <p>1 A Correct. 2 Q Now post-Mr. DiOrio leaving those 3 requests, the Highland requests, are coming from 4 the independent directors for Sentinel? 5 A That is correct. 6 Q You mentioned a Sentinel account and it 7 sounded like you said account in the singular, so 8 I just want to understand that. 9 Did Sentinel have a single account from 10 which payments were made for reimbursement or 11 expenses? 12 A They have a single checking account and an 13 investment custodial account. 14 Q Where is that checking account located? 15 A CIBC in the Cayman. 16 Q And they have a single you said investment 17 account? 18 A Correct, custodial account with CIBC as 19 well. 20 Q CIBC Caymans? 21 A Yes. 22 Q So help me understand the difference. 23 In the checking account there is cash, is 24 that right? 25 A That is correct.</p>
<p>66</p> <p>1 Highland Capital, where are the requests coming 2 from now? 3 MR. WELDON: Objection. 4 Clarification, you are talking about where 5 the invoice is coming from now? 6 MR. BURT: Right. 7 BY MR. BURT: 8 Q So any requests for payment for Sentinel 9 to make a payment, where are those coming from? I 10 understand some might be coming from service 11 providers. 12 A Invoices that come from the service 13 providers still follow the same channel. Any 14 invoices that would originate from the Highland 15 side will now or have been since the new directors 16 took over since the old directors and Matt 17 resigned are coming through to those directors and 18 then they submit them to us. 19 Q The directors -- the new directors of 20 Sentinel? 21 A The current independent directors, yes. 22 Q So prior to Mr. DiOrio leaving the request 23 -- the Highland-related request, let's call them, 24 those were coming from an inside director from 25 Mr. DiOrio?</p>	<p>68</p> <p>1 Q And then in the investment, the custodial 2 investment account, what is located there? 3 A There are the investments that were 4 registered in Sentinel's name are custodied with 5 that investment account. 6 Q And we will get to this, but some of the 7 assets -- the assets that were transferred from 8 the Highland entities as part of the ATE policy, 9 would those be in the CIBC account? 10 A Some of those are in the CIBC custody 11 account. 12 Q Are there some located elsewhere? 13 A Not all of the investments were 14 re-registered into Sentinel's name. 15 Q So some never made it -- 16 A That is correct. 17 Q -- in other words, all right. 18 Has that been true throughout the time 19 that Beecher has been managing Sentinel, that all 20 claims for reimbursement would come out of the 21 single checking account? 22 A With the current checking account that is 23 accurate. Prior to setting up that checking 24 account and while Maples served as the outside 25 directors Maples had a cash function and they</p>

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<p>69</p> <p>1 would process payments on their end.</p> <p>2 Q I want to ask about Maples, but let me ask</p> <p>3 one question about the investments that never made</p> <p>4 it.</p> <p>5 Do you know where those investments are</p> <p>6 that never made it to Sentinel?</p> <p>7 A As far as I know they are still in the</p> <p>8 name of the insureds.</p> <p>9 Q And do you know which ones never made it?</p> <p>10 A Any that are not in the custody account.</p> <p>11 Q Sure.</p> <p>12 A There is a number of them. I would</p> <p>13 recognize them if I saw them.</p> <p>14 Q Okay, all right. We will come back to</p> <p>15 that.</p> <p>16 You mentioned Maples, what is Maples?</p> <p>17 A Maples, just like Caledonian, just like a</p> <p>18 number of firms in the Cayman provided outside</p> <p>19 independent director services to companies in the</p> <p>20 Cayman. They also have a legal arm. They have a</p> <p>21 corporate services arm.</p> <p>22 Q And you said during the time that Maples</p> <p>23 was providing directors they had a checking</p> <p>24 account for Sentinel?</p> <p>25 A They had a segregated account that they</p>	<p>71</p> <p>1 correct.</p> <p>2 Q Do you know, were there terms of</p> <p>3 reimbursements what was authorized to be</p> <p>4 reimbursed for these types of expenses, travel and</p> <p>5 entertainment costs?</p> <p>6 A As long as the directors approved it and</p> <p>7 supported that it was in relation to Sentinel it</p> <p>8 would be dispersed out of the account.</p> <p>9 Q And we are going to talk about one of the</p> <p>10 -- we believe what one of the things that happens</p> <p>11 with the insurance policy is through the second</p> <p>12 endorsement there is a risk mitigation fee that's</p> <p>13 taken out of the policy, a \$9 million risk</p> <p>14 mitigation figure. Does that sound familiar?</p> <p>15 A That does.</p> <p>16 Q Was that 9 million was that held in this</p> <p>17 checking account?</p> <p>18 A The \$9 million was carved out of the</p> <p>19 premium and tracked separately.</p> <p>20 As far as the specific cash dollars it</p> <p>21 would have been commingled with any other cash</p> <p>22 that Sentinel had.</p> <p>23 Q And was all the cash held in the checking</p> <p>24 account at CIBC?</p> <p>25 A Correct.</p>
<p>70</p> <p>1 held for Sentinel that was -- and they were able</p> <p>2 to disperse payments on behalf of Sentinel</p> <p>3 through.</p> <p>4 Q During that time were all of the Sentinel</p> <p>5 payments for reimbursement or expenses were they</p> <p>6 coming out of the Maples account?</p> <p>7 A That is correct.</p> <p>8 Q What time period was that?</p> <p>9 A 2015 through 2017.</p> <p>10 Q After the Maples account was no longer</p> <p>11 being used it's been since that time the single</p> <p>12 checking account from Sentinel from which</p> <p>13 reimbursements and expenses have been paid?</p> <p>14 A That is correct.</p> <p>15 Q Looking at the management agreement, one</p> <p>16 of the expenses here -- we have claim payments</p> <p>17 listed, Beecher Carlson management fees, other</p> <p>18 fees, and then under romanette 8 at the bottom it</p> <p>19 says "travel and entertainment costs incurred by</p> <p>20 officers of Sentinel."</p> <p>21 So is it a fair reading of that that out</p> <p>22 of this single checking account that held cash the</p> <p>23 travel and entertainment costs by Sentinel</p> <p>24 officers were paid?</p> <p>25 A To the extent that there were any, that's</p>	<p>72</p> <p>1 Q In terms of if something was a risk</p> <p>2 mitigation reimbursement or expense it would have</p> <p>3 just been coded as such in a ledger but the cash</p> <p>4 would have come from the same account --</p> <p>5 A Correct.</p> <p>6 Q -- as the cash?</p> <p>7 A Correct.</p> <p>8 When those invoices were provided to</p> <p>9 Sentinel from Matt DiOrio if it wasn't explicitly</p> <p>10 explained as being risk mitigation fees we would</p> <p>11 inquire the nature of the fees just so that we had</p> <p>12 a sense of how to account for it on the Sentinel</p> <p>13 side.</p> <p>14 Q Was there a standard or policy for what</p> <p>15 constituted a risk mitigation fee versus what</p> <p>16 should not be accounted for as such?</p> <p>17 A If there were invoices that were coming in</p> <p>18 in somebody else's name we would inquire whether</p> <p>19 they were risk mitigation fees.</p> <p>20 Q Do you know whether any travel and</p> <p>21 entertainment expenses of Sentinel officers were</p> <p>22 coded as risk mitigation?</p> <p>23 A Of Sentinel officers? I don't believe</p> <p>24 there were any travel or expense.</p> <p>25 Q How about of Highland employees or</p>

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<p>73</p> <p>1 Highland personnel, were any of those risk 2 mitigation fees?</p> <p>3 A There were some travel costs that came 4 through and paid under the risk mitigation fees.</p> <p>5 Q And whose travel costs were those?</p> <p>6 A I believe those were Scott Ellington's.</p> <p>7 Q Do you know why those were paid out of the 8 risk mitigation fee?</p> <p>9 A We were informed that they related to the 10 defense of the UBS litigation matter.</p> <p>11 Q So that was the justification that was 12 given?</p> <p>13 A Correct.</p> <p>14 Q Who informed you of that?</p> <p>15 A Matt DiOrio.</p> <p>16 Q And did the outside directors approve 17 those expenses?</p> <p>18 A They did.</p> <p>19 MR. BURT: Let's look at a couple of those 20 while we are talking about risk mitigation. Let 21 me just find the right tab here. I believe it is 22 Tab 48. 118.</p> <p>23 (Document marked Exhibit 118 for 24 identification.) 25</p>	<p>75</p> <p>1 Do you recall this timeframe, early 2020, 2 getting a bunch of invoices from Sentinel that 3 needed processing?</p> <p>4 A We get a lot of invoices from Sentinel so 5 it's not out of the ordinary that we would receive 6 a flurry of them.</p> <p>7 Q So early 2020 doesn't stand out in any 8 way?</p> <p>9 A No.</p> <p>10 Q And when you say that, Ms. Devins, "Do you 11 have time to get approval," what did you mean by 12 approval?</p> <p>13 A To seek approval from the directors to 14 process the invoices.</p> <p>15 Q So that was part of the process where you 16 had received them from Highland and -- from 17 Mr. DiOrio most likely and you were going to then 18 turn around and seek approval from the outside 19 directors?</p> <p>20 A That's correct.</p> <p>21 Q And then Ms. Devins responds in the top 22 e-mail --</p> <p>23 MR. WELDON: I want to note my objection, 24 you refer to Highland, but DiOrio was a director, 25 inside director for Sentinel. To the extent that</p>
<p>74</p> <p>1 BY MR. BURT:</p> <p>2 Q So while you are looking at that just for 3 the record I am showing the witness the Bates 4 label BC SEN000727319, which is Beecher Carlson 5 e-mails and attachments.</p> <p>6 A Okay.</p> <p>7 Q I actually want to draw your attention to 8 the last two e-mails in time, it is on the first 9 page right in the middle, an e-mail from you dated 10 February 6, 2020, to Alli Devins. Who is 11 Alli Devins?</p> <p>12 A Alli Devins is an employee with Beecher 13 Carlson.</p> <p>14 Q Does she work on your team?</p> <p>15 A She does.</p> <p>16 Q And does she work on the Sentinel account?</p> <p>17 A She did at the time.</p> <p>18 Q No longer?</p> <p>19 A We have since transitioned that work to 20 Gareth Pereira because he is in our Cayman office 21 with Clayton.</p> <p>22 Q And you write in this e-mail on 23 February 6, "We have a bunch of invoices for 24 Sentinel that are in need of processing. Do you 25 have time to get approvals on those?"</p>	<p>76</p> <p>1 he is receiving them, you are qualifying him, I 2 just want there to be a clarification. He has 3 identified him as an inside director for Sentinel. 4 He does work as Highland but inside director for 5 Sentinel.</p> <p>6 BY MR. BURT:</p> <p>7 Q Let me ask you, when you received these 8 types of expense requests for reimbursement for 9 Mr. DiOrio did you understand them to be providing 10 them in his role as an independent director -- as 11 a director of Sentinel or his role as a Highland 12 employee?</p> <p>13 A We understood the invoices to be coming 14 through Matt because they would have been provided 15 to Matt from somebody at Highland Capital or would 16 have been coming from somebody with his 17 connections at Highland Capital.</p> <p>18 Q So ultimately the requests were coming 19 from Highland Capital through Mr. DiOrio to 20 Beecher, is that right?</p> <p>21 A Correct.</p> <p>22 Q So looking back at this e-mail, Ms. Devins 23 says, "Yes" -- and this is on February 6, 2020, 24 "Yes, that was actually on my list to do today. I 25 have them all pulled together, just need to send</p>

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<p>77</p> <p>1 them out. These are the three I have. Not sure 2 if you have any additional invoices." 3 And the first attachment states SEN 200206 4 Scott Ellington invoices for \$176,334.77, it's a 5 PDF. Do you see that? 6 A I do. 7 Q And referring to that attachment which 8 begins the Bates ending 727324, do you see where I 9 am at? 10 A Yes. 11 Q And at the top it says Ellington expenses 12 London and Paris, total \$78,841.93. 13 A Yes. 14 Q Do you know what these requests were for? 15 A It says risk mitigation fees, so I am not 16 certain the nature of what these travel expenses 17 related to. 18 Q So that information specifically how they 19 related to risk mitigation that was not provided 20 at the time? 21 A No. 22 Q And as you look at this, starting on 23 December 23, 2019, London Hilton Parklane is the 24 first expense for \$388. The next expense is the 25 Novikov Bar and Grill in London for \$1,397. Do</p>	<p>79</p> <p>1 A I do. 2 Q And then a \$21,991 expense for Browns 3 Hotel in London, do you see that? 4 A I do. 5 Q And Beecher had no insight into what these 6 actually were, right? 7 A No. 8 If these were all under risk mitigation 9 they would have been -- our understanding is that 10 they would have been expenses related to the 11 insureds under the ATE policy and that all costs 12 related to the insureds were to be paid under 13 these risk mitigation fees. 14 Q So Beecher was relying on accurate 15 information to come from Highland through 16 Mr. DiOrio? 17 A That is correct. 18 (Document marked Exhibit 119 for 19 identification.) 20 BY MR. BURT: 21 Q Showing you we will mark our next exhibit, 22 keep that handy, that London trip from DiOrio, we 23 are going to do some comparison. This one I don't 24 think you have seen before, what I just handed 25 you, 119, is Bates labeled UBSPROD460936. And</p>
<p>78</p> <p>1 you see that? 2 A I do. 3 Q And then there is a payment at Claridge's 4 Hotel for \$2006.29 right underneath that. Do you 5 see that? 6 A I do. 7 Q And you have no insight into what these 8 expenses actually were? 9 A I do not. 10 Q Looking down do you see a few rows down a 11 \$15,000 expense at Browns Hotel in London? 12 A Yes. 13 Q Looking down a little bit more there is a 14 Four Seasons Hotel George V for \$7900, do you see 15 that one? 16 A Yes. 17 MR. WELDON: 7978, is that what you are 18 referring to? 19 MR. BURT: \$7,978.46. 20 BY MR. BURT: 21 Q A few lines after that Park Chinois - 22 London \$4,000 expense, do you see that? 23 A I do. 24 Q There is some expense for \$716 at Sexy 25 Fish London, do you see that?</p>	<p>80</p> <p>1 it's a series of e-mails between Mr. Ellington and 2 Ms. Sarah Goldsmith. 3 Do you know who Sarah Goldsmith is? 4 A I have never heard of her. 5 Q And underneath that, you see this is dated 6 12th of December, 2019 at the top? 7 A Yes. 8 Q And underneath that -- on the attachment 9 it states London activities 2019 December PDF, 10 London dining 2019 December PDF, London festive 11 dining 2019 December. Do you see that? 12 A What page are you on? 13 Q Just at the very top of the first page, 14 the attachments listed. 15 A Sorry, yes. 16 Q And then as you go down the first e-mail, 17 this affidavit in the chain appears to be from a 18 Stephanie Archer to Mr. Ellington. Do you know 19 who Stephanie Archer is? 20 A I have never heard of her. 21 Q And her signature there as a licensed 22 Realtor at Allie, Beth, Allman & Associates in 23 Dallas, Texas, do you see that? 24 A I do. 25 Q Now, underneath that we see an e-mail from</p>

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<p>81</p> <p>1 Stephanie Archer to Scott Ellington on</p> <p>2 December 11, 2019, with the subject forward</p> <p>3 London, do you see that?</p> <p>4 A I do.</p> <p>5 Q And she writes there, "For you to approve</p> <p>6 or change I would like to do Matilda the 26th at</p> <p>7 7:00 p.m., we leave for Paris the next morning, so</p> <p>8 I thought we do room service that evening or</p> <p>9 something simple after the play. As for holiday</p> <p>10 meals I would love to do Christmas dinner at</p> <p>11 Claridges, Christmas Day lunch at Browns, New</p> <p>12 Years dinner at Alain Ducasse at the Dorchester,</p> <p>13 second sitting preferably. I would love if</p> <p>14 dinners are planned at 7:00 p.m. as they are all</p> <p>15 incredibly long." Do you see that?</p> <p>16 A I do.</p> <p>17 Q And Beecher had no insight into any of</p> <p>18 this, right?</p> <p>19 A I have never seen this document before.</p> <p>20 Q At the top of the next page Ms. Archer</p> <p>21 writes, "As far as other activities I have in mind</p> <p>22 Tower of London for Jack to tour, London Bridge,</p> <p>23 Hyde Park Winter Wonderland Market, Bond Street,</p> <p>24 and Covenant Garden Christmas lights," and she</p> <p>25 lists the other dining she would like to try as</p>	<p>83</p> <p>1 A I do see that.</p> <p>2 Q On the next page, Christmas lights, she</p> <p>3 lists a bunch of information and winter markets,</p> <p>4 winter skating, a bunch of information for that.</p> <p>5 And then on the next page London restaurants and</p> <p>6 there is a calendar from 22nd December, 2019</p> <p>7 through January 2, 2020. Do you see that there?</p> <p>8 A I do.</p> <p>9 Q And then a bunch of restaurants, afternoon</p> <p>10 tea is listed for the next few pages. Do you see</p> <p>11 all that?</p> <p>12 A I do.</p> <p>13 Q And to be absolutely clear, none of this</p> <p>14 was provided to Beecher Carlson as part of the</p> <p>15 request for reimbursement, correct?</p> <p>16 A This is the first time I am seeing any of</p> <p>17 this.</p> <p>18 Q Now, looking at the calendar that we</p> <p>19 looked at that had the 22nd of December through</p> <p>20 January 1, keep that handy and let's look back at</p> <p>21 the Ellington expense request in the previous</p> <p>22 exhibit and compare dates. According to the</p> <p>23 calendar they would arrive in London on the</p> <p>24 morning of the 22nd of December, and if you look</p> <p>25 at the dates here the 22nd of December Scott's</p>
<p>82</p> <p>1 well, do you see that?</p> <p>2 A I do.</p> <p>3 Q Again, none of this is familiar, correct?</p> <p>4 A That is correct.</p> <p>5 Q If you flip then to the next attachment</p> <p>6 there is a couple of blank pages and then you see</p> <p>7 there is a listing of London plays.</p> <p>8 Sorry, before we get there, we do need to</p> <p>9 look at the last e-mail in the chain, that will</p> <p>10 provide content what follows.</p> <p>11 The last e-mail in the chain is from Sarah</p> <p>12 Goldsmith to Scott Ellington and Stephanie Archer.</p> <p>13 It says, "Attached is the information I have put</p> <p>14 together for your trip to London. I will e-mail</p> <p>15 you both the Paris information tomorrow, but I</p> <p>16 wanted to break it up so I wasn't sending too much</p> <p>17 information at once. Please let me know if you</p> <p>18 would like me to do any additional research, have</p> <p>19 any questions, or would like me to make any</p> <p>20 reservations," with Sarah Goldsmith listed as SAS</p> <p>21 Asset Recovery, do you see that?</p> <p>22 A I do.</p> <p>23 Q So the first attachment is London plays,</p> <p>24 she includes here a bunch of musicals, Wicked,</p> <p>25 School of Rock, et cetera?</p>	<p>84</p> <p>1 London is listed and then on the 23rd London</p> <p>2 Hilton Parklane, and the expenses begin there on</p> <p>3 the 23rd and continue down through January 2, do</p> <p>4 you see that?</p> <p>5 A I do.</p> <p>6 Q And that's what was submitted to</p> <p>7 Beecher Carlson, correct?</p> <p>8 A Correct.</p> <p>9 Q And those are the exact same dates in this</p> <p>10 itinerary that was provided to Ms. Archer and</p> <p>11 Mr. Ellington, is that right?</p> <p>12 MR. WELDON: You ask whether the dates</p> <p>13 correspond?</p> <p>14 BY MR. BURT:</p> <p>15 Q Do the dates correspond?</p> <p>16 A The dates appear to correlate.</p> <p>17 Q And the locations appear to correlate as</p> <p>18 well, London and Paris?</p> <p>19 A They do.</p> <p>20 Q Do you have any knowledge of whether</p> <p>21 Mr. Ellington did any risk mitigation work in</p> <p>22 London and Paris?</p> <p>23 A We were only provided with the direction</p> <p>24 that the invoice was to be paid under the risk</p> <p>25 mitigation fees.</p>

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<p>85</p> <p>1 Q Did Ms. Archer to your knowledge have any 2 business with Sentinel?</p> <p>3 A I am not aware who Ms. Archer is.</p> <p>4 Q Did she provide any services with regard 5 to the ATE policy to your knowledge?</p> <p>6 A I am not aware of who Ms. Archer is.</p> <p>7 Q So if you were to hear for the first time 8 today that she is Mr. Ellington's girlfriend would 9 that be news to you?</p> <p>10 A That would be news to me.</p> <p>11 Q And this was a personal trip that they 12 took to London and Paris?</p> <p>13 A That would also be news to me.</p> <p>14 Q And those would not have been appropriate 15 risk mitigation reimbursements --</p> <p>16 MR. WELDON: Objection.</p> <p>17 BY MR. BURT:</p> <p>18 Q -- had Beecher known about it?</p> <p>19 MR. WELDON: Objection.</p> <p>20 BY MR. BURT:</p> <p>21 Q You can answer.</p> <p>22 A Had Beecher known about it we would have 23 pushed that the expenses not be reimbursed under 24 the risk mitigation. But if the directors had 25 approved it and that it was appropriate to pay</p>	<p>87</p> <p>1 Q A number of these are listed as risk 2 mitigation and then others are listed as business 3 development, is that right?</p> <p>4 A That is correct.</p> <p>5 Q Do you know what the distinction was 6 between risk mitigation and business development?</p> <p>7 A We were informed that anything business 8 development related to business opportunities that 9 Sentinel was looking into for future insurance 10 programs.</p> <p>11 Q And who informed you of that?</p> <p>12 A Matt DiOrio.</p> <p>13 Q And do you -- did Beecher have any 14 firsthand knowledge of what Mr. Ellington might 15 have been doing in terms of business development 16 efforts or only what was told to you by 17 Mr. DiOrio?</p> <p>18 A Only what was told to us by Mr. DiOrio.</p> <p>19 Q Here the first expense requested the 20 Shangri-La Toronto a \$15,511 bill for risk 21 mitigation. The other risk mitigations include a 22 \$6,883 bill at Jacobs & Company Steakhouse on the 23 17th, do you see that?</p> <p>24 A I do.</p> <p>25 Q I skipped one, on the 14th another</p>
<p>86</p> <p>1 under it we would have had no choice other than to 2 follow the direction of the directors.</p> <p>3 Q Because ultimately Beecher didn't have the 4 authority one way or the other?</p> <p>5 A Beecher did not.</p> <p>6 Q And it was the outside directors who were 7 ultimately approving, right?</p> <p>8 A That is correct.</p> <p>9 Q Do you know if any of this information was 10 provided to the outside directors?</p> <p>11 A I am aware that the invoices themselves 12 would have been provided, but whether or not they 13 scrutinized it, I am not aware.</p> <p>14 Q And the e-mails back and forth between 15 Ms. Archer and Mr. Ellington, Beecher never had 16 those, correct?</p> <p>17 A Beecher never received those, so as to 18 whether or not they made it to the directors, I do 19 not know.</p> <p>20 Q If you look at -- looking at the exhibit 21 with the reimbursement requests, the Ellington 22 expenses, the next expense report included here is 23 for a Toronto trip from January 15 through 24 January 19, do you see that?</p> <p>25 A I do.</p>	<p>88</p> <p>1 Shangri-La Toronto for \$2,637, do you see that at 2 the top?</p> <p>3 A I do.</p> <p>4 Q And then there is it looks like eight in a 5 row for the Shangri-La Hotel in various amounts, 6 do you see that?</p> <p>7 A I do.</p> <p>8 Q And, again, as before is it correct that 9 beyond what was included here and that you were 10 told that it was risk mitigation Beecher had no 11 insight into what was actually happening in 12 Toronto?</p> <p>13 A That is correct.</p> <p>14 Q And this -- Ms. Devins would have passed 15 this information that is here on to the 16 independent directors or the outside directors, is 17 that right?</p> <p>18 A That is correct.</p> <p>19 I do remember speaking with Matt on this 20 particular invoice and he had indicated that the 21 Toronto trip had some involvement with the 22 litigation.</p> <p>23 Q Do you recall what he said precisely?</p> <p>24 A I don't remember other than that and it 25 was a conversation we had.</p>

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<p>89</p> <p>1 Q And would that conversation have been</p> <p>2 around the February, 2020 timeframe when this was</p> <p>3 provided?</p> <p>4 A Yes.</p> <p>5 Q Most likely.</p> <p>6 Mr. Adamczak, having now seen the</p> <p>7 London/Paris itinerary and what was happening I am</p> <p>8 just going to ask what's your reaction to that</p> <p>9 sitting here today?</p> <p>10 MR. WELDON: Objection.</p> <p>11 You can answer.</p> <p>12 THE WITNESS: I don't know what to say.</p> <p>13 BY MR. BURT:</p> <p>14 Q It's news to you today sitting here?</p> <p>15 A It is.</p> <p>16 Q It was never disclosed to you at the time?</p> <p>17 A No, it was not.</p> <p>18 (Document marked Exhibit 120 for</p> <p>19 identification.)</p> <p>20 BY MR. BURT:</p> <p>21 Q Showing you what's been Bates labeled BC</p> <p>22 SEN0000663342 marked as Exhibit 120, go ahead and</p> <p>23 take a look, a couple e-mails and an expense</p> <p>24 report.</p> <p>25 A Okay.</p>	<p>91</p> <p>1 Q To include all of them?</p> <p>2 A Right.</p> <p>3 Q Got it.</p> <p>4 So here Ms. Goldsmith says, "Matt, as</p> <p>5 discussed earlier I am submitting the attached</p> <p>6 expense reimbursement on behalf of Scott Ellington</p> <p>7 subject to review and approval by directors.</p> <p>8 Please instruct reimbursement to Scott Ellington</p> <p>9 for the attached travel expenses. Total is</p> <p>10 \$318,938. Please let me know if you have any</p> <p>11 additional questions. And then wire account</p> <p>12 information is provided from Scott Ellington and</p> <p>13 his bank account at Wells Fargo." Do you see</p> <p>14 that?</p> <p>15 A Yes.</p> <p>16 Q And then in the e-mail above Mr. DiOrio</p> <p>17 forwards it to you and Ms. Devins on Friday</p> <p>18 December 20, 2019, so this appears to be about a</p> <p>19 month and a half prior to the expenses that we</p> <p>20 just looked at, the London and Paris?</p> <p>21 A Uh-huh.</p> <p>22 Q And he says, "Hi guys, please submit the</p> <p>23 attached expenses for approval and reimbursement.</p> <p>24 Just a heads up, settlement talks are cranking up</p> <p>25 as we understand it so there will be an increase</p>
<p>90</p> <p>1 Q Looking at the bottom e-mail it is an</p> <p>2 e-mail from Sarah Goldsmith to Matt DiOrio both at</p> <p>3 SAS Management, cc'ing Connie and Scott Ellington</p> <p>4 at SAS Management for subject Ellington request</p> <p>5 reimbursement, do you see that?</p> <p>6 A I do.</p> <p>7 Q Let me ask while we are looking at e-mail</p> <p>8 addresses, Mr. DiOrio is listed here as having an</p> <p>9 SAS Management e-mail address. Is that the e-mail</p> <p>10 address he typically used in communicating with</p> <p>11 you?</p> <p>12 A That is typically the e-mail address that</p> <p>13 they would use. We were told that any e-mails</p> <p>14 that were coming from the Highland folks were</p> <p>15 because it was a Cayman entity that they were</p> <p>16 representing they had to use the Cayman e-mail</p> <p>17 address, which was the sasmanagement.com e-mail</p> <p>18 address.</p> <p>19 Q Did you at times receive e-mails from</p> <p>20 their Highland Capital accounts as well?</p> <p>21 A We would.</p> <p>22 Q Even when it related to Sentinel business?</p> <p>23 A We would. And then when I would reply I</p> <p>24 would try to remember to put the SAS management</p> <p>25 e-mail.</p>	<p>92</p> <p>1 in travel expenses over the next few months.</p> <p>2 These are actually related to business development</p> <p>3 as we try to plan for potential world post-ATE."</p> <p>4 Do you recall receiving that e-mail from</p> <p>5 Mr. DiOrio and hearing about settlement talks and</p> <p>6 potential world post-ATE in this timeframe?</p> <p>7 A I do.</p> <p>8 Q What do you remember about that?</p> <p>9 A I specifically had a discussion with him</p> <p>10 relating to these invoices just to understand the</p> <p>11 nature of business development costs and</p> <p>12 Mr. DiOrio explained to me that there was a</p> <p>13 convention in Las Vegas that was the type of</p> <p>14 clientele that Highland Capital were looking at as</p> <p>15 far as the next potential insurance programs that</p> <p>16 they might be considering, so there was a lot of</p> <p>17 wining and dining that went on in Las Vegas.</p> <p>18 Q Highland Capital was considering, is that</p> <p>19 right?</p> <p>20 MR. WELDON: Objection.</p> <p>21 THE WITNESS: Highland Capital was</p> <p>22 considering for Sentinel.</p> <p>23 BY MR. BURT:</p> <p>24 Q For Sentinel in particular?</p> <p>25 A Correct.</p>

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<p>93</p> <p>1 Q When he says post -- a potential world</p> <p>2 post-ATE, did you discuss what he meant by that?</p> <p>3 A It was understood at the time and it was</p> <p>4 discussed in board meetings that because of the</p> <p>5 magnitude of the ATE policy the potential exposure</p> <p>6 that was there they didn't want to write any</p> <p>7 additional policies through Sentinel until they</p> <p>8 got on the other side of that UBS litigation.</p> <p>9 Q And when you say the potential -- the size</p> <p>10 of the policy and the potential exposure, describe</p> <p>11 what you mean by that.</p> <p>12 A Potential exposure \$91 million of maximum</p> <p>13 loss on the policy.</p> <p>14 Q And did Sentinel have the assets to cover</p> <p>15 that?</p> <p>16 A They did.</p> <p>17 Q And in terms of the potential settlement</p> <p>18 that was being discussed, was it being discussed</p> <p>19 that the ATE policy would cover that settlement?</p> <p>20 A I do not know of any settlement talks</p> <p>21 other than what Matt shared with us here.</p> <p>22 Q Did Mr. DiOrio share with you that the</p> <p>23 judge the prior month had issued a ruling finding</p> <p>24 in favor totally for UBS?</p> <p>25 A He did not.</p>	<p>95</p> <p>1 and I believe your answer was no, is that right?</p> <p>2 A That is correct.</p> <p>3 (Document marked Exhibit 121 for</p> <p>4 identification.)</p> <p>5 BY MR. BURT:</p> <p>6 Q So now looking at Exhibit 121, you can</p> <p>7 actually flip to the fourth physical page, and you</p> <p>8 will see a document that has a file stamp, it has</p> <p>9 a case heading on it, do you see that?</p> <p>10 A Yes.</p> <p>11 Q And the Bates at the bottom of that is</p> <p>12 KL_0000036. And you see that this is a judgment</p> <p>13 in the Supreme Court of the State of New York in</p> <p>14 the case of UBS Securities, LLC and another UBS</p> <p>15 entity plaintiffs against Highland Capital</p> <p>16 Management, LLP and a number of Highland entities,</p> <p>17 do you see that?</p> <p>18 A I do.</p> <p>19 Q And looking at that case caption are those</p> <p>20 the -- is this the action that you understood to</p> <p>21 be the event in the ATE policy?</p> <p>22 A I believe so.</p> <p>23 Q Now, looking at Page 2 of this order or</p> <p>24 this judgment the second paragraph begins with</p> <p>25 "and", do you see where I am?</p>
<p>94</p> <p>1 Q Let's take a look at 55A. We are going to</p> <p>2 come back to that one so keep that handy.</p> <p>3 A Are we done with the other ones?</p> <p>4 Q You can set those ones aside for the</p> <p>5 moment, yes.</p> <p>6 MR. WELDON: Is this a good place to take</p> <p>7 a break?</p> <p>8 MR. BURT: We can, yes, sure.</p> <p>9 THE VIDEOGRAPHER: This marks the end of</p> <p>10 Disk No. 2 in the deposition of Thomas Adamczak,</p> <p>11 we are going off the record at 11:13.</p> <p>12 (Recess taken.)</p> <p>13 THE VIDEOGRAPHER: Here begins Disk No. 3</p> <p>14 in the deposition of Thomas Adamczak, we are going</p> <p>15 back on the record at 11:27.</p> <p>16 BY MR. BURT:</p> <p>17 Q So, Mr. Adamczak, before the break we were</p> <p>18 looking at this e-mail that was forwarded to you</p> <p>19 from Mr. DiOrio for expense reimbursements from</p> <p>20 Mr. Ellington, and the date of that e-mail was</p> <p>21 December 20, 2019. Do you recall that?</p> <p>22 A Yes.</p> <p>23 Q Now, I believe I had asked you had</p> <p>24 Mr. DiOrio informed you anything about a recent</p> <p>25 court order in a UBS case finding in favor of UBS</p>	<p>96</p> <p>1 A Yes.</p> <p>2 Q It states, "And the Court having rendered</p> <p>3 a final decision and order after trial on</p> <p>4 November 14, 2019 in which it found in favor of</p> <p>5 Plaintiffs UBS Securities, LLC and UBS AG London</p> <p>6 Branch on their third and fourth causes of actions</p> <p>7 against the counter-parties and dismissed</p> <p>8 Defendant Highland Capital Management, LLP's</p> <p>9 counterclaims with prejudice."</p> <p>10 My question for you is did Mr. DiOrio make</p> <p>11 you aware of the court order on November 14, 2019</p> <p>12 finding in favor of UBS?</p> <p>13 A I believe he had mentioned it and</p> <p>14 indicated that there were appeals that were going</p> <p>15 through.</p> <p>16 Q When did he first mention it to you?</p> <p>17 A I don't recall.</p> <p>18 Q Looking at this December 20, 2019 e-mail</p> <p>19 in the previous exhibit do you know whether he had</p> <p>20 mentioned it to you around this time when he was</p> <p>21 sending these expense reimbursements along?</p> <p>22 A I don't believe so.</p> <p>23 Q So --</p> <p>24 A I don't recall.</p> <p>25 Q But your best estimate probably would have</p>

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<p>1 come sometime later?</p> <p>2 MR. WELDON: Objection.</p> <p>3 THE WITNESS: I don't recall.</p> <p>4 BY MR. BURT:</p> <p>5 Q What did he say about appeals?</p> <p>6 A He didn't really have a lot of information</p> <p>7 related to the process or where it was, but they</p> <p>8 were trying to appeal.</p> <p>9 Q Do you know if appeals were ever taken?</p> <p>10 A I do not know.</p> <p>11 Q Did you ever speak with anybody else at</p> <p>12 Highland about the judgment entered against them?</p> <p>13 A At the end of each year, probably sometime</p> <p>14 in January to March, so post-year end, we would</p> <p>15 have discussion with the actuary and include J.P.,</p> <p>16 Matt, and Isaac Leventon to try to determine the</p> <p>17 scenarios for the outcome of the case and with the</p> <p>18 end goal being to determine what the loss,</p> <p>19 ultimate loss, would end up being that Sentinel</p> <p>20 would record in their financial statements.</p> <p>21 Q And did you engage in that process after</p> <p>22 this judgment had come down?</p> <p>23 A We would have had a discussion in sometime</p> <p>24 between January and March of 2020.</p> <p>25 Q Do you recall anything about that</p>	<p>97</p> <p>99</p> <p>1 was for loss reserves would be what the directors</p> <p>2 approved to be recorded as a liability in</p> <p>3 Sentinel's books.</p> <p>4 Q We will come back to that. We will come</p> <p>5 back to that in a couple of minutes.</p> <p>6 So looking back at Exhibit I think it is</p> <p>7 120, the expense reimbursement request, if we look</p> <p>8 at the actual attachment, the expense report of</p> <p>9 Mr. Ellington, dated December 19, 2019 for a total</p> <p>10 of \$318,934.88, here it doesn't have a listing of</p> <p>11 risk mitigation or business development included</p> <p>12 in this report. Do you know how this would have</p> <p>13 been accounted for?</p> <p>14 A This was explained to be all business</p> <p>15 development expenses.</p> <p>16 Q And as we have discussed earlier, whether</p> <p>17 it was risk mitigation or business development it</p> <p>18 was coming out of the same Sentinel checking</p> <p>19 account, right?</p> <p>20 A That is correct.</p> <p>21 Q So it was just for accounting purposes how</p> <p>22 it was included in the ledger whether it was a</p> <p>23 business development?</p> <p>24 A Correct.</p> <p>25 Q Or risk mitigation, okay.</p>
<p>98</p> <p>1 discussion, what was discussed?</p> <p>2 A I don't, other than potential outcomes and</p> <p>3 with the attempt to try and assign weights to that</p> <p>4 for calculating the loss reserves.</p> <p>5 Q What if anything do you recall about what</p> <p>6 Mr. Sevilla or Leventon said about the potential</p> <p>7 outcomes?</p> <p>8 A I don't recall anything specific.</p> <p>9 Q Okay.</p> <p>10 A The discussion was really for the actuary</p> <p>11 primarily.</p> <p>12 Q And what would the actuary do with that</p> <p>13 information precisely?</p> <p>14 A The actuary would take those outcomes and</p> <p>15 probabilities of each outcome and run it through</p> <p>16 the models to try and determine the liability, the</p> <p>17 ultimate loss liability.</p> <p>18 Q One moment.</p> <p>19 Were those actuarial estimates were those</p> <p>20 used for accounting purposes or how did they end</p> <p>21 up being used?</p> <p>22 A For accounting purposes.</p> <p>23 Q And how specifically would they affect the</p> <p>24 accounting?</p> <p>25 A So whatever the calculation by the actuary</p>	<p>100</p> <p>1 MR. WELDON: Objection.</p> <p>2 BY MR. BURT:</p> <p>3 Q Is that right?</p> <p>4 A That is correct.</p> <p>5 MR. WELDON: Objection.</p> <p>6 BY MR. BURT:</p> <p>7 Q Here if we look at these expenses you see,</p> <p>8 for example, on December 12, 2019 a charge of</p> <p>9 \$152,000 at the Wynn Las Vegas Hotel, do you have</p> <p>10 any insight on that charge what is listed here?</p> <p>11 A The only thing I know is what Matt DiOrio</p> <p>12 explained that these were business development</p> <p>13 expenses related to wining and dining</p> <p>14 opportunities, potential future insurance</p> <p>15 opportunities for Sentinel.</p> <p>16 Q Do you know if any of those insurance</p> <p>17 opportunities ever came to fruition?</p> <p>18 A Sentinel has not written any policies</p> <p>19 since the ATE policy.</p> <p>20 Q So none of this business development</p> <p>21 resulted in any new ATE policy or other policy for</p> <p>22 Sentinel?</p> <p>23 MR. WELDON: Objection.</p> <p>24 THE WITNESS: Not currently.</p> <p>25</p>

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<p>101</p> <p>1 BY MR. BURT:</p> <p>2 Q There is charges at an Omnia Las Vegas.</p> <p>3 Do you know what Omnia is?</p> <p>4 A No.</p> <p>5 Q No one ever told you what it was?</p> <p>6 A No.</p> <p>7 Q And if I were to represent to you that it</p> <p>8 was a nightclub, would that be news to you?</p> <p>9 A No.</p> <p>10 Q Did you have an understanding?</p> <p>11 A I did not. That wasn't one that I</p> <p>12 particularly looked at. I think I might have</p> <p>13 looked at the Sapphire expense and questioned</p> <p>14 that.</p> <p>15 Q And what do you understand Sapphire to be?</p> <p>16 A A typical Las Vegas strip club.</p> <p>17 Q Did you look at that at the time?</p> <p>18 A I did.</p> <p>19 Q And you asked Mr. DiOrio specifically</p> <p>20 about that?</p> <p>21 A I did.</p> <p>22 Q And his answer was that it was business</p> <p>23 development?</p> <p>24 A They were all business development, this</p> <p>25 is how they do business.</p>	<p>103</p> <p>1 A That is mine.</p> <p>2 Q And you recall sending that?</p> <p>3 A I do.</p> <p>4 Q And what raised your concern there?</p> <p>5 A The fact that there was \$318,000 worth of</p> <p>6 expenses at first, but there was a significant</p> <p>7 amount of that seemed to be club-related.</p> <p>8 Q Was it after that that you had the</p> <p>9 conversation with Mr. DiOrio?</p> <p>10 A Correct.</p> <p>11 Q So you tried to do some more diligence on</p> <p>12 this?</p> <p>13 A I did.</p> <p>14 Q And the answer that you were given was --</p> <p>15 A Business development.</p> <p>16 Q Business development.</p> <p>17 And then was this sent on to the directors</p> <p>18 for approval?</p> <p>19 A It was.</p> <p>20 Q And do you know if the directors approved</p> <p>21 it?</p> <p>22 A Ultimately they did, but they also</p> <p>23 questioned it.</p> <p>24 Q What did they question?</p> <p>25 A They requested the nature of those</p>
<p>102</p> <p>1 Q "They" being who?</p> <p>2 A Highland Capital.</p> <p>3 Q So he explained to you that Highland</p> <p>4 Capital did business at strip clubs?</p> <p>5 MR. WELDON: Objection.</p> <p>6 THE WITNESS: He explained that this is</p> <p>7 all of the events that took place in Las Vegas as</p> <p>8 a whole related to the business development and</p> <p>9 this is what they -- this is how they conduct</p> <p>10 business.</p> <p>11 BY MR. BURT:</p> <p>12 Q Please finish.</p> <p>13 A He didn't offer more than that.</p> <p>14 Q Did he explain whether anybody accompanied</p> <p>15 Mr. Ellington to Las Vegas?</p> <p>16 A He did not.</p> <p>17 Q Now, looking at the e-mail at the very top</p> <p>18 there is a To line to Alli Devins and the planner</p> <p>19 this was produced to us, we don't know who the</p> <p>20 from was, but it states, "Nice, what the hell is</p> <p>21 going on with these expenses? I question how much</p> <p>22 business development is actually being done. Did</p> <p>23 you look at this?"</p> <p>24 Was that -- did you write that e-mail to</p> <p>25 Alli?</p>	<p>104</p> <p>1 expenses as well and specifically inquired whether</p> <p>2 all or both of the UBOs would be okay with running</p> <p>3 these expenses through the captive as business</p> <p>4 development.</p> <p>5 Q And who did they ask that question to?</p> <p>6 A Matt DiOrio.</p> <p>7 Q And what was the answer he gave?</p> <p>8 A That it was appropriate.</p> <p>9 Q So he -- did he tell them specifically</p> <p>10 that both the UBOs, Scott Ellington and James</p> <p>11 Dondero, were okay with running these types of</p> <p>12 expenses through Sentinel?</p> <p>13 MR. WELDON: Objection.</p> <p>14 THE WITNESS: I don't specifically</p> <p>15 remember.</p> <p>16 BY MR. BURT:</p> <p>17 Q So what's your best memory?</p> <p>18 MR. WELDON: Objection.</p> <p>19 THE WITNESS: That it was appropriate to</p> <p>20 include it as business development expense.</p> <p>21 BY MR. BURT:</p> <p>22 Q So I guess what -- the distinction I am</p> <p>23 trying to make sure I drill down on is it's</p> <p>24 appropriate because the UBOs said it was</p> <p>25 appropriate?</p>

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<p>105</p> <p>1 MR. WELDON: Objection.</p> <p>2 THE WITNESS: To my knowledge, yes.</p> <p>3 BY MR. BURT:</p> <p>4 Q I just want to look at one more of these</p> <p>5 expense requests, give me one moment.</p> <p>6 Mark this as 122.</p> <p>7 (Document marked Exhibit 122 for</p> <p>8 identification.)</p> <p>9 BY MR. BURT:</p> <p>10 Q Showing what has been marked as</p> <p>11 Exhibit 122 BC SEN000662367, are you ready,</p> <p>12 Mr. Adamczak?</p> <p>13 A Yes.</p> <p>14 Q So the first-in-time e-mail here from</p> <p>15 Matt DiOrio to you dated July 2, 2019, submitting</p> <p>16 the below for approval and the below appears to be</p> <p>17 a Sentinel expense reimbursement related to travel</p> <p>18 for a CIMA meeting on June 25, 2019, do you see</p> <p>19 that?</p> <p>20 A Yes.</p> <p>21 Q The amount being \$4,615.90.</p> <p>22 What CIMA meeting, if you recall, was</p> <p>23 occurring in June of 2019?</p> <p>24 A So in connection with the CIMA inspection</p> <p>25 CIMA specifically had questions related to the</p>	<p>107</p> <p>1 MR. WELDON: Objection.</p> <p>2 THE WITNESS: Correct.</p> <p>3 BY MR. BURT:</p> <p>4 Q Did Ms. Vitiello attend the meeting?</p> <p>5 A Who?</p> <p>6 Q Stephanie Vitiello.</p> <p>7 A I think she did, and that was the only</p> <p>8 reference to her that I have seen.</p> <p>9 Q In regards to this CIMA meeting?</p> <p>10 A Her existence anywhere within Sentinel</p> <p>11 operations.</p> <p>12 Q Do you know whether they traveled by</p> <p>13 private jet?</p> <p>14 A I do not know.</p> <p>15 Q Are you aware of any instances in which</p> <p>16 Highland employees traveled by private jet to the</p> <p>17 Caymans?</p> <p>18 A To the Caymans? Not necessarily. But I</p> <p>19 do know that they have had chartered flights for</p> <p>20 other meetings.</p> <p>21 Q Did they seek reimbursement from Sentinel</p> <p>22 for those?</p> <p>23 A Yes.</p> <p>24 Q What do you know about those flights?</p> <p>25 A I believe there was one flight, it might</p>
<p>106</p> <p>1 investments and how they fit into Sentinel's</p> <p>2 investment policy. So this was a meeting at the</p> <p>3 request of the directors with CIMA to specifically</p> <p>4 cover the investments.</p> <p>5 Q And which directors attended?</p> <p>6 A I believe all of them had.</p> <p>7 Q Did Mr. Sevilla attend as well?</p> <p>8 A I believe he did as well.</p> <p>9 Q Did Ms. Irving attend?</p> <p>10 A I believe she did.</p> <p>11 Q Mr. Leventon?</p> <p>12 A I don't think so.</p> <p>13 Q Do you know if Mr. Dondero or Ellington</p> <p>14 appeared?</p> <p>15 A I don't believe so.</p> <p>16 Q Now, do you recall this particular expense</p> <p>17 reimbursement that Mr. DiOrio submitted?</p> <p>18 A I don't recall it, but this would have</p> <p>19 been the expenses that Matt covered on that trip.</p> <p>20 Q Would that have come out of risk</p> <p>21 mitigation?</p> <p>22 A This would have been travel expenses for</p> <p>23 Sentinel, I believe.</p> <p>24 Q But the same one common bank account at</p> <p>25 CIBC?</p>	<p>108</p> <p>1 have been the Toronto flight, that was --</p> <p>2 actually, I don't even know that this one took</p> <p>3 place.</p> <p>4 There was a fee that came through for a</p> <p>5 chartered flight that the trip ended -- never</p> <p>6 ended up taking place so the funds were</p> <p>7 reimbursed.</p> <p>8 Q In this e-mail Jonathan Arbeit also</p> <p>9 appears. Who is that?</p> <p>10 A He was an employee of mine.</p> <p>11 Q Working on the Sentinel account?</p> <p>12 A Correct.</p> <p>13 Q Is he still?</p> <p>14 A No.</p> <p>15 Q And on the same day, the second to last</p> <p>16 e-mail, Mr. Arbeit e-mails you and says, the first</p> <p>17 line says, I am not going to pronounce it right,</p> <p>18 maybe someone knows, Sassiciaoa,</p> <p>19 S-A-S-S-I-C-A-I-A-O-6, did you know what that is?</p> <p>20 A I do not.</p> <p>21 Q And then he has a URL there and it says</p> <p>22 "looks like they overpaid a lot."</p> <p>23 DO you recall that e-mail from Mr. Arbeit?</p> <p>24 A I do not.</p> <p>25 Q You responded to it on the same day "wow".</p>

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<p>109</p> <p>1 No recollection of that?</p> <p>2 A I don't.</p> <p>3 Q Do you recall if you clicked on the link</p> <p>4 that you sent?</p> <p>5 A I don't remember.</p> <p>6 (Document marked Exhibit 123 for</p> <p>7 identification.)</p> <p>8 BY MR. BURT:</p> <p>9 Q Handing you Exhibit 122 -- or 123.</p> <p>10 I will represent to you, Mr. Adamczak,</p> <p>11 this is the link that was clicked on or that was</p> <p>12 included by Mr. Arbeit. It is for a 2006 Italian</p> <p>13 wine and it lists various prices for that.</p> <p>14 Did you know that Mr. DiOrio was seeking</p> <p>15 reimbursement for expensive bottles of wine?</p> <p>16 A Is that what this \$4,000 is?</p> <p>17 Q Well, I am asking you.</p> <p>18 A I don't. I don't remember, no.</p> <p>19 Q We are going off of what Mr. Arbeit</p> <p>20 included here, it says "it looks like they</p> <p>21 overpaid a lot" in the link. That doesn't ring a</p> <p>22 bell?</p> <p>23 A It does not.</p> <p>24 Q So you were not aware at the time that</p> <p>25 they were seeking reimbursement for bottles of</p>	<p>111</p> <p>1 Q Do you know how that indemnification came</p> <p>2 to be?</p> <p>3 A I don't.</p> <p>4 Q What was told to you -- strike that.</p> <p>5 When did you first learn about the</p> <p>6 indemnification agreement?</p> <p>7 A Matt had mentioned it to us I think at the</p> <p>8 time that they were putting that in place, but it</p> <p>9 didn't -- it didn't -- I didn't see anything more</p> <p>10 about it until months later when I actually saw a</p> <p>11 copy of the agreement.</p> <p>12 Q What did Matt say when he first mentioned</p> <p>13 it to you?</p> <p>14 A That they were putting this in place to</p> <p>15 cover the expenses for the employees. I don't</p> <p>16 remember anything more than that.</p> <p>17 Q To cover the legal expenses in particular?</p> <p>18 A Legal expenses, yes.</p> <p>19 Q Which employees?</p> <p>20 A I believe the agreement specified which</p> <p>21 employees, but I don't recall.</p> <p>22 Q Mr. DiOrio is covered?</p> <p>23 A He was on the list, yes.</p> <p>24 Q Was Mr. Sevilla?</p> <p>25 A I don't recall.</p>
<p>110</p> <p>1 wine in the thousands of dollars?</p> <p>2 MR. WELDON: Objection.</p> <p>3 THE WITNESS: No.</p> <p>4 BY MR. BURT:</p> <p>5 Q They didn't tell you that?</p> <p>6 A No.</p> <p>7 Q There is one other type of expense I want</p> <p>8 to briefly talk about.</p> <p>9 What if anything, Mr. Adamczak, do you</p> <p>10 know about Sentinel indemnifying former Highland</p> <p>11 employees?</p> <p>12 A I know of an indemnification agreement</p> <p>13 related to former Highland employees that worked</p> <p>14 on Sentinel.</p> <p>15 Q Does Beecher have a copy of that</p> <p>16 indemnification agreement?</p> <p>17 A I believe they do.</p> <p>18 Q And have you seen that?</p> <p>19 A I have.</p> <p>20 Q What does it provide?</p> <p>21 A I believe it's covering indemnification of</p> <p>22 legal expenses for those employees.</p> <p>23 Q Legal expenses related to what?</p> <p>24 A Related to deposition subpoenas, court</p> <p>25 proceedings related to the UBS litigation matter.</p>	<p>112</p> <p>1 Q Do you recall if -- if I go through names</p> <p>2 would you be able to recall?</p> <p>3 A I would just be guessing.</p> <p>4 Q Okay.</p> <p>5 MR. WELDON: We don't want you to guess or</p> <p>6 speculate.</p> <p>7 BY MR. BURT:</p> <p>8 Q Do you know who approved the</p> <p>9 indemnification agreement?</p> <p>10 A I believe the directors may have.</p> <p>11 Q Was Mr. DiOrio still a director at the</p> <p>12 time?</p> <p>13 A He was.</p> <p>14 Q Who drafted it?</p> <p>15 A I don't recall. I don't know that I knew.</p> <p>16 Q Are they being paid out of that same</p> <p>17 Sentinel checking account at CIBC, the expenses</p> <p>18 related to the indemnification agreement?</p> <p>19 MR. WELDON: Objection.</p> <p>20 THE WITNESS: There were no expenses paid</p> <p>21 directly to the employees that I am aware of. I</p> <p>22 believe the only expenses would have come through</p> <p>23 as legal fees, maybe a retainer.</p> <p>24 BY MR. BURT:</p> <p>25 Q For various law firms and lawyers?</p>

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<p>113</p> <p>1 A Yes.</p> <p>2 Q Do those invoices still come to Beecher</p> <p>3 for processing?</p> <p>4 A I haven't seen any recently.</p> <p>5 Q When was the last time you saw one?</p> <p>6 A I believe it was just a retainer upfront,</p> <p>7 and I don't remember the name of the law firm.</p> <p>8 Q That's the only request for reimbursement</p> <p>9 or for payment that you have seen related to the</p> <p>10 indemnification agreement?</p> <p>11 A As far as I know.</p> <p>12 Q As far as -- as the corporate</p> <p>13 representative of Beecher as far as Beecher is</p> <p>14 aware just the retainer?</p> <p>15 A That is correct.</p> <p>16 Q Do you -- was that paid, that retainer?</p> <p>17 A Yes.</p> <p>18 Q Was it classified as a risk mitigation</p> <p>19 expense?</p> <p>20 A I do not recall. I believe it would have</p> <p>21 been, but I don't recall.</p> <p>22 Q So if any of those -- if any further</p> <p>23 expenses have been submitted and paid that would</p> <p>24 have been -- Beecher would not have knowledge of</p> <p>25 that? I just want to make sure I am understanding</p>	<p>115</p> <p>1 0000074288, are you ready, Mr. Adamczak?</p> <p>2 A Yes.</p> <p>3 Q So what I actually want to look at is the</p> <p>4 bottom e-mail on the first page from</p> <p>5 Gareth Pereira dated the 24th of June, 2021 to</p> <p>6 Casey McDonald. We have spoken about Mr. Pereira,</p> <p>7 but who is Mr. McDonald?</p> <p>8 A Mr. McDonald is one of the current</p> <p>9 directors of Sentinel and he is an outside</p> <p>10 independent director.</p> <p>11 Q When was he appointed?</p> <p>12 A Shortly before this e-mail.</p> <p>13 Q So in the April, May timeframe?</p> <p>14 A I want to say probably final approval came</p> <p>15 through in early June maybe.</p> <p>16 Q 2021?</p> <p>17 A '21, yes.</p> <p>18 Q Do you know who appointed him?</p> <p>19 A Matt DiOrio as the current -- then current</p> <p>20 remaining director on the Sentinel board.</p> <p>21 Q Was he still a member of the Sentinel</p> <p>22 board at that time?</p> <p>23 A At the time that he was appointed, yes.</p> <p>24 They didn't want to have all the directors resign</p> <p>25 at the same time because that would leave the</p>
<p>114</p> <p>1 that right.</p> <p>2 A We have seen a lot of legal bills come</p> <p>3 through Sentinel, so it's possible there could</p> <p>4 have been some other ones that I am just not</p> <p>5 remembering. There were a lot of legal bills.</p> <p>6 Q Aside from the indemnification ones, what</p> <p>7 other types of legal bills are coming from</p> <p>8 Sentinel?</p> <p>9 A There is the legal bills for Collas Crill</p> <p>10 who is Sentinel's attorney, and then all the other</p> <p>11 law firms that they have worked with, whether they</p> <p>12 were related to the UBS matter or not.</p> <p>13 Q And those continue to come to Beecher?</p> <p>14 A I don't remember which ones we have seen</p> <p>15 recently, but they do -- the only way that they</p> <p>16 can be paid through Sentinel is if they come</p> <p>17 through Beecher.</p> <p>18 MR. BURT: 124 I believe.</p> <p>19 (Document marked Exhibit 124 for</p> <p>20 identification.)</p> <p>21 THE WITNESS: Are we finished with these</p> <p>22 documents?</p> <p>23 MR. BURT: You can set those aside.</p> <p>24 BY MR. BURT:</p> <p>25 Q Showing you 124 Bates labeled BC SEN</p>	<p>116</p> <p>1 company with no directors.</p> <p>2 Q When did Mr. DiOrio leave the board,</p> <p>3 resign from the board?</p> <p>4 A It was probably early June. It would have</p> <p>5 been right after the formal approval by CIMA of</p> <p>6 the new directors.</p> <p>7 Q Do you know if Mr. DiOrio was still</p> <p>8 working for Highland at that time?</p> <p>9 A He told us that he was no longer working</p> <p>10 for Highland.</p> <p>11 Q But was still a board member of Sentinel?</p> <p>12 A Correct.</p> <p>13 Q Do you know what diligence went into</p> <p>14 finding Mr. McDonald?</p> <p>15 A I do not.</p> <p>16 Q It is a name that Mr. DiOrio presented?</p> <p>17 A I don't remember who presented his name.</p> <p>18 Q I think you testified earlier that DiOrio</p> <p>19 appointed him as a director, is that right?</p> <p>20 A I believe that is how it went.</p> <p>21 Q Also included in the cc column in this</p> <p>22 e-mail is a Kenny Wade at the same Calderwood</p> <p>23 entity. Do you know what that is?</p> <p>24 A He is another independent director.</p> <p>25 Q When was he appointed?</p>

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<p>117</p> <p>1 A The same time that Mr. McDonald was.</p> <p>2 Q Did Mr. DiOrio appoint him as well?</p> <p>3 A He would have appointed both of them.</p> <p>4 Q And then there is a Stephen Leontsinis at</p> <p>5 Collas Crill. Do you know who that is?</p> <p>6 A He is the attorney for Sentinel.</p> <p>7 Q And Matt DiOrio at a gmail account, do you</p> <p>8 recognize that to be his personal gmail account?</p> <p>9 A That was the e-mail account that he was</p> <p>10 using since he left Highland.</p> <p>11 Q He no longer used an SAS account either?</p> <p>12 A No.</p> <p>13 Q And then there is a J.S. de Jager, CSI.</p> <p>14 Do you know what that is?</p> <p>15 A J.S. is the third independent director.</p> <p>16 He was appointed shortly after Mr. McDonald and</p> <p>17 Mr. Kenny were appointed.</p> <p>18 Q Who appointed Mr. de Jager?</p> <p>19 A I don't remember, but Mr. McDonald and</p> <p>20 Mr. Kenny may have.</p> <p>21 Q And then you and Mr. Price are also on</p> <p>22 this e-mail, do you see that?</p> <p>23 A Correct.</p> <p>24 Q Here Mr. Pereira writes, "Good morning,</p> <p>25 Casey. Following on from last week please can you</p>	<p>119</p> <p>1 Q And so then Mr. DiOrio -- yes, Mr. DiOrio</p> <p>2 responds at the top e-mail, it says, "This is an</p> <p>3 order and should be settled. The company</p> <p>4 indemnified a group of former employees, myself</p> <p>5 included, a while back and it relates to our</p> <p>6 defense with respect to today's hearing that I</p> <p>7 mentioned." Do you see that?</p> <p>8 A I do.</p> <p>9 Q Do you know what hearing he was referring</p> <p>10 to?</p> <p>11 A I do not.</p> <p>12 Q And is this the indemnification agreement</p> <p>13 that we have been discussing?</p> <p>14 A I believe that's correct.</p> <p>15 Q Now, Mr. McDonald had requested if this</p> <p>16 comes out of the pre-fund mitigation risk balance.</p> <p>17 It doesn't appear that Mr. DiOrio directly</p> <p>18 responded to that question, but is it your</p> <p>19 understanding that that is where the</p> <p>20 reimbursements are coming from?</p> <p>21 MR. WELDON: Objection.</p> <p>22 THE WITNESS: I don't recall.</p> <p>23 BY MR. BURT:</p> <p>24 Q Do you know specifically what matter these</p> <p>25 former employees were indemnified for?</p>
<p>118</p> <p>1 provide your approval through e-mail and also</p> <p>2 release the following payments that have been set</p> <p>3 up in CIBC for Sentinel. There is a Ross & Smith</p> <p>4 legal expense for \$75,854.90 and Q3 Beecher</p> <p>5 Carlson Captive Management fee of 15,000, is that</p> <p>6 right? And Risk International Actuarial expense</p> <p>7 of 7500."</p> <p>8 A Correct.</p> <p>9 Q Do you recall this request coming from</p> <p>10 Mr. Pereira?</p> <p>11 A I do.</p> <p>12 Q What do you remember about it?</p> <p>13 A This is the typical expense request where</p> <p>14 we would provide the invoices to the directors for</p> <p>15 their approval and release in the CIBC system.</p> <p>16 Q And then Mr. McDonald responds, "Thanks,</p> <p>17 Gareth. I can go in and approve, but as Wade and</p> <p>18 I don't have any visibility into the legal bill I</p> <p>19 appreciate Matt confirming it is all in order and</p> <p>20 should be settled. As it's for U.S. counsel am I</p> <p>21 right in thinking it is coming out of the pre-fund</p> <p>22 mitigation balance or is there any additional</p> <p>23 background we can get on the expenses?" Do you</p> <p>24 see that?</p> <p>25 A I do.</p>	<p>120</p> <p>1 A I assumed it related to the UBS</p> <p>2 litigation.</p> <p>3 Q Are you aware of any directions from CIMA</p> <p>4 that are currently in place regarding payments of</p> <p>5 expenses and things of that nature?</p> <p>6 A CIMA had requested that Sentinel refrain</p> <p>7 from making any payments and disposing of any of</p> <p>8 the assets.</p> <p>9 Q When did CIMA make that request?</p> <p>10 A I don't remember the date.</p> <p>11 Q Was it in 2021?</p> <p>12 A I believe it was in 2021.</p> <p>13 Q Was it before these requests for</p> <p>14 reimbursement came in?</p> <p>15 A I don't believe so, but I don't remember.</p> <p>16 Q Are you aware of CIMA issuing a retraining</p> <p>17 notice or restraint on Sentinel from dispersing</p> <p>18 any funds whatsoever?</p> <p>19 A Yes, that's what I was referring to.</p> <p>20 Q That's what you were referring to, okay.</p> <p>21 A Yes.</p> <p>22 Q And to your knowledge has Sentinel adhered</p> <p>23 to that since receiving it?</p> <p>24 A Beecher sought clarification from CIMA</p> <p>25 whether they intended us to not pay any service</p>

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<p>121</p> <p>1 providers and let everything lapse or if they</p> <p>2 wanted to at least continue the operations and</p> <p>3 they specified that we could continue paying</p> <p>4 normal business expenses.</p> <p>5 Q Was that in a written response to Beecher?</p> <p>6 A I believe so, yes.</p> <p>7 Q Would that have come to --</p> <p>8 A Clayton.</p> <p>9 Q Clayton, all right.</p> <p>10 Would indemnification reimbursement</p> <p>11 expenses fall within those types of payments that</p> <p>12 are still being paid?</p> <p>13 A I don't recall this being before that</p> <p>14 cease and desist, whatever you termed it as.</p> <p>15 Q The restraint?</p> <p>16 A The restraint.</p> <p>17 Q Setting this document aside, just in</p> <p>18 general after receiving that restraint and</p> <p>19 receiving the clarification about paying sort of</p> <p>20 the normal course payments to service providers,</p> <p>21 would legal expense reimbursements for the</p> <p>22 indemnified employees fall within that category of</p> <p>23 expenses that could still be paid?</p> <p>24 A I don't know.</p> <p>25 Q Beecher doesn't know one way or the other?</p>	<p>123</p> <p>1 relationship between any of the current or former</p> <p>2 Sentinel independent directors and Mr. Dondero and</p> <p>3 Mr. Ellington?</p> <p>4 A The independent directors?</p> <p>5 Q Uh-huh.</p> <p>6 A No.</p> <p>7 MR. BURT: We can take a break.</p> <p>8 THE VIDEOGRAPHER: We are going off the</p> <p>9 record, the time is 12:05.</p> <p>10 (Lunch recess taken.)</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
<p>122</p> <p>1 A It would be up to the directors to make</p> <p>2 that call.</p> <p>3 Q What types of expenses are on hold and</p> <p>4 restrained that Sentinel is not making?</p> <p>5 A Sentinel is not disposing of any of the</p> <p>6 assets currently, so any -- where they had</p> <p>7 originally planned on selling some of the</p> <p>8 securities or liquidating securities they have</p> <p>9 foregone any decisions to do that in the near</p> <p>10 term.</p> <p>11 Q Who had made the decision to liquidate</p> <p>12 securities?</p> <p>13 A The directors had originally.</p> <p>14 Q At what time was that decision made?</p> <p>15 A Sometime in the summer of 2021.</p> <p>16 Q So it was the new directors?</p> <p>17 A The new directors.</p> <p>18 Q Who wanted to liquidate certain assets?</p> <p>19 A Correct.</p> <p>20 Q But that's on hold?</p> <p>21 A Correct.</p> <p>22 MR. WELDON: Good place to stop?</p> <p>23 MR. BURT: One more question.</p> <p>24 BY MR. BURT:</p> <p>25 Q Are you aware of any connection or</p>	<p>124</p> <p>1 AFTERNOON SESSION</p> <p>2 THE VIDEOGRAPHER: We are going back on</p> <p>3 the record, the time is 1:01.</p> <p>4 (Document marked Exhibit 125 for</p> <p>5 identification.)</p> <p>6 BY MR. BURT:</p> <p>7 Q I am showing you, Mr. Adamczak,</p> <p>8 Exhibit 125, which is produced by Highland Capital</p> <p>9 Management and has an e-mail and attachment. Go</p> <p>10 ahead and take a look at that.</p> <p>11 A I am all set.</p> <p>12 Q What do you recognize the attachment to</p> <p>13 be?</p> <p>14 A This is the ATE policy.</p> <p>15 Q Now, we have been talking a lot about ATE</p> <p>16 policy. Can you describe what an ATE policy is?</p> <p>17 A ATE is after the event, it's a legal</p> <p>18 liability insurance policy covering a negative</p> <p>19 outcome on a particular matter.</p> <p>20 Q Does Beecher have any other clients that</p> <p>21 issue ATE policies?</p> <p>22 A No.</p> <p>23 Q Sentinel is the only one?</p> <p>24 A The only one that I am aware of.</p> <p>25 Q And how many ATE policies did Sentinel</p>

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<p>1 produce?</p> <p>2 A Just one.</p> <p>3 Q And it's this one we are looking at here?</p> <p>4 A Correct.</p> <p>5 Q I believe you testified earlier that the</p> <p>6 event referred to in this policy is the UBS</p> <p>7 litigation against Highland Capital and the</p> <p>8 various Highland entities?</p> <p>9 A Correct.</p> <p>10 Q And you are familiar with this document,</p> <p>11 you have seen it before?</p> <p>12 A I have.</p> <p>13 Q Let's flip to the schedule of this</p> <p>14 document near the very end, the last two pages is</p> <p>15 what I am going to look at, and listed here is the</p> <p>16 schedule of the ATE policy and the insurer is</p> <p>17 listed as Sentinel Reinsurance Limited, correct?</p> <p>18 A Correct.</p> <p>19 Q The insured are three entities, Highland</p> <p>20 CDO Master Fund LP, Highland CDO Holding Company,</p> <p>21 and Highland Special Opportunities Holding</p> <p>22 Company, do you see that?</p> <p>23 A Yes.</p> <p>24 Q Do you know how it was decided that these</p> <p>25 three entities should be the insured?</p>	<p>125</p> <p>1 Q If you look down in the legal action row,</p> <p>2 do you see that?</p> <p>3 A Yes.</p> <p>4 Q It lists the title of the legal action and</p> <p>5 the case number, and if you look at the entities</p> <p>6 whom UBS is suing it includes Highland Capital</p> <p>7 Management, LP, which is not an insured, correct?</p> <p>8 A Correct.</p> <p>9 Q It includes Highland Special Opportunities</p> <p>10 Holding Company, which is an insured, correct?</p> <p>11 A Correct.</p> <p>12 Q It includes Highland Financial Partners,</p> <p>13 LP, which is not an insured, correct?</p> <p>14 A Correct.</p> <p>15 Q And it includes Highland CDO Opportunity</p> <p>16 Master Fund LP, which is an insured, correct?</p> <p>17 A Correct.</p> <p>18 Q It includes Highland Credit Opportunities</p> <p>19 CDO, LP and Strand Advisors, neither of which are</p> <p>20 insureds, correct?</p> <p>21 A Correct.</p> <p>22 Q Not listed in that legal action was</p> <p>23 Highland CDO Holding Company, the middle of the</p> <p>24 three insureds up above, do you see that?</p> <p>25 A Yes.</p>
<p>126</p> <p>1 A At the direction of J.P. Sevilla.</p> <p>2 Q What direction specifically did he give?</p> <p>3 A That these would be the insureds on the</p> <p>4 policy.</p> <p>5 Q When did he give that?</p> <p>6 A When the policy was drafted.</p> <p>7 Q Which was when?</p> <p>8 A Prior to August 1, 2017.</p> <p>9 Q Did he ever mention that there were other</p> <p>10 entities involved in the UBS -- other Highland</p> <p>11 entities involved in the UBS litigation that would</p> <p>12 not be insured?</p> <p>13 A Not to my knowledge.</p> <p>14 Q Did he represent that these three entities</p> <p>15 were all in the litigation?</p> <p>16 A Could you clarify?</p> <p>17 Q Sure.</p> <p>18 So it lists three entities. Did</p> <p>19 Mr. Sevilla tell Beecher that these three</p> <p>20 entities, the insureds, are all part of the UBS</p> <p>21 litigation?</p> <p>22 A That's our understanding, yes.</p> <p>23 Q Did Beecher ever check to see if that was</p> <p>24 correct?</p> <p>25 A No.</p>	<p>127</p> <p>1 Q Was that known to Beecher at the time?</p> <p>2 A It may have been, but it would have -- if</p> <p>3 we asked we would have assumed or been under the</p> <p>4 assumption that it was part of the affiliation of</p> <p>5 those entities whether a subsidiary of those</p> <p>6 entities or some relation that was covered under</p> <p>7 that.</p> <p>8 Q And that would have been told to you by</p> <p>9 Mr. Sevilla?</p> <p>10 A Correct.</p> <p>11 Q Now, I want to actually talk about that</p> <p>12 for a moment.</p> <p>13 The affiliation of these entities, what</p> <p>14 was Beecher's understanding of how all these</p> <p>15 entities were related?</p> <p>16 A They were either subsidiaries of Highland</p> <p>17 Capital Management or funds that Highland Capital</p> <p>18 Management managed.</p> <p>19 Q That was known to Beecher, that fact that</p> <p>20 these were all affiliated?</p> <p>21 A That was our understanding.</p> <p>22 Q Based on what Mr. Sevilla told you?</p> <p>23 A Correct.</p> <p>24 Q So from Beecher's perspective it wouldn't</p> <p>25 make any difference to the efficacy of the policy</p>
<p>128</p>	<p>128</p>

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<p>129</p> <p>1 that one of the insured's was not part of the</p> <p>2 event in the after the event policy?</p> <p>3 A I don't know.</p> <p>4 Q Let me rephrase it.</p> <p>5 Because it was an affiliated entity with</p> <p>6 the other Highland entities it was not of a</p> <p>7 concern to Beecher at the time that it wasn't</p> <p>8 named as a defendant in the event, the litigation?</p> <p>9 MR. WELDON: Objection.</p> <p>10 THE WITNESS: I don't believe so.</p> <p>11 BY MR. BURT:</p> <p>12 Q Did Beecher ever ask why -- ever ask</p> <p>13 Mr. Sevilla why the other defendants weren't being</p> <p>14 included as insureds?</p> <p>15 A Not to my knowledge.</p> <p>16 Q Why not?</p> <p>17 A I don't know.</p> <p>18 Q Would it be fair to say that Beecher was</p> <p>19 just following what Mr. Sevilla told it to do?</p> <p>20 MR. WELDON: Objection.</p> <p>21 THE WITNESS: I don't know.</p> <p>22 BY MR. BURT:</p> <p>23 Q The court in which this case is pending is</p> <p>24 the Supreme Court of the State of New York, lists</p> <p>25 the opponent, and then it lists the limit of</p>	<p>131</p> <p>1 A None.</p> <p>2 Q Did any of the directors -- did any of the</p> <p>3 outside directors have any role in putting the</p> <p>4 policy together?</p> <p>5 A At the time that this policy was put in</p> <p>6 place there were only outside directors.</p> <p>7 Q And none of them had any role in putting</p> <p>8 it together?</p> <p>9 MR. WELDON: Objection.</p> <p>10 THE WITNESS: No.</p> <p>11 BY MR. BURT:</p> <p>12 Q The insureds are listed as, again, as we</p> <p>13 just read, the three Highland entities, and each</p> <p>14 of them is signed for by James Dondero as</p> <p>15 president or director, do you see that?</p> <p>16 A I do.</p> <p>17 Q What was Beecher's understanding at the</p> <p>18 time of Mr. Dondero's role with respect to those</p> <p>19 Highland entities?</p> <p>20 A That he had authority to act on each of</p> <p>21 those entities as president or CEO or whatever his</p> <p>22 role was with Highland Capital.</p> <p>23 Q Who told you that?</p> <p>24 A I don't believe anyone told us, it was</p> <p>25 probably assumed.</p>
<p>130</p> <p>1 indemnity, and that is listed as \$100 million in</p> <p>2 the aggregate, do you see that?</p> <p>3 A Yes.</p> <p>4 Q Payment date for premium is listed as</p> <p>5 August 31, 2017 and the premium is listed as</p> <p>6 \$25 million, do you see that?</p> <p>7 A Yes.</p> <p>8 Q And I want to come back to how both of</p> <p>9 those figures were arrived at, but before we do,</p> <p>10 looking at the next page the signature page for</p> <p>11 the insurer and the insureds, first, insurer,</p> <p>12 Andrew Dean signed for Sentinel, is that right?</p> <p>13 A Correct.</p> <p>14 Q And is it correct that he was a director</p> <p>15 of Sentinel at the time?</p> <p>16 A Correct.</p> <p>17 Q Did he work for one of those agencies or</p> <p>18 groups that provided --</p> <p>19 A Maples.</p> <p>20 Q He worked for Maples.</p> <p>21 How long did Mr. Dean serve as a director?</p> <p>22 A From 2015-ish to 2018.</p> <p>23 Q What role to your knowledge or to</p> <p>24 Beecher's knowledge did Mr. Dean have in putting</p> <p>25 this policy together?</p>	<p>132</p> <p>1 Q Mr. Sevilla didn't explain why Mr. Dondero</p> <p>2 was signing?</p> <p>3 A He may have. I don't remember.</p> <p>4 We have seen Mr. Dondero's name on a</p> <p>5 number of documents so it's not uncommon to see</p> <p>6 him related to Highland Capital.</p> <p>7 Q So the understanding of Beecher at the</p> <p>8 time -- let me make sure I get this right.</p> <p>9 With Highland Capital Management, LP was</p> <p>10 it Beecher's understanding that of that entity</p> <p>11 Mr. Dondero was the CEO or president?</p> <p>12 MR. WELDON: Objection.</p> <p>13 THE WITNESS: Yes.</p> <p>14 BY MR. BURT:</p> <p>15 Q And that as president or CEO of that</p> <p>16 entity, the Highland Capital Management, LP, he</p> <p>17 had authority to sign for the various Highland</p> <p>18 entities underneath it?</p> <p>19 MR. WELDON: Objection.</p> <p>20 THE WITNESS: Yes.</p> <p>21 BY MR. BURT:</p> <p>22 Q Did Beecher have any understanding --</p> <p>23 strike that. I will come back to that.</p> <p>24 Let's talk about for a moment the</p> <p>25 \$100 million limit of indemnity. Could you</p>

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<p>133</p> <p>1 describe how that figure was arrived at?</p> <p>2 A It was actuarially -- sorry, the 100</p> <p>3 million?</p> <p>4 Q The 100 million limit of indemnity.</p> <p>5 A It was the figure that Mr. Sevilla had</p> <p>6 given us.</p> <p>7 Q Had he ever provided other figures that he</p> <p>8 was considering?</p> <p>9 A 80 million and I believe I have seen 120</p> <p>10 million.</p> <p>11 Q When did Mr. Sevilla start providing these</p> <p>12 possible limits of indemnity figures?</p> <p>13 A At the time that they were discussing</p> <p>14 writing the policy.</p> <p>15 Q And thinking back to before lunch, was</p> <p>16 that in early 2017?</p> <p>17 A Early 2017.</p> <p>18 Q And that was when Mr. Kranz and</p> <p>19 Mr. Sevilla were talking about it?</p> <p>20 A Correct.</p> <p>21 Q Do you know or did Beecher know where</p> <p>22 these numbers were coming from, why these amounts?</p> <p>23 A I think it was based on the premium that</p> <p>24 they were willing to pay and the exposure that</p> <p>25 they were willing to put into the captive.</p>	<p>135</p> <p>1 A The assumptions that were used in the</p> <p>2 model.</p> <p>3 Q Were the assumptions provided to</p> <p>4 Mr. Stubbs by Mr. Kranz and Mr. Sevilla?</p> <p>5 A Correct.</p> <p>6 Q So is it correct to say that -- let me ask</p> <p>7 it this way.</p> <p>8 Is it right that the amount of the premium</p> <p>9 depended on the assumptions provided?</p> <p>10 A The way that the actuarial modeling worked</p> <p>11 was whatever the outcomes were and the exposure</p> <p>12 and the probability of secession that would factor</p> <p>13 in to the calculation to determine the ultimate</p> <p>14 premium that would be paid.</p> <p>15 Q And those calculations were done by</p> <p>16 Mr. Stubbs?</p> <p>17 A Correct.</p> <p>18 Q Do you recall this issue of how the</p> <p>19 premium was set being raised by CIMA in their 2019</p> <p>20 audit of Sentinel?</p> <p>21 A In what way?</p> <p>22 Q Did they have questions about it, how the</p> <p>23 premium was determined?</p> <p>24 A They may have. I don't remember.</p> <p>25 Q I will show you a document that maybe will</p>
<p>134</p> <p>1 Q When you say exposure willing to put in,</p> <p>2 what does that mean?</p> <p>3 A Exposure, risk that Sentinel could</p> <p>4 potentially be on the hook for.</p> <p>5 Q I see. So the exposure to Sentinel.</p> <p>6 A Yes.</p> <p>7 Q And Mr. Sevilla was providing those</p> <p>8 figures to Mr. Kranz?</p> <p>9 A I don't know.</p> <p>10 Q Did you or Mr. Kranz ever offer your own</p> <p>11 figures or provide feedback to the figures that</p> <p>12 Mr. Sevilla was giving?</p> <p>13 A I don't know that.</p> <p>14 Q Let's let me ask about the premium figure,</p> <p>15 the 25 million. How was that figure arrived at?</p> <p>16 A The premium was actuarially determined</p> <p>17 based on a set of outcomes and their probabilities</p> <p>18 of secession.</p> <p>19 Q Who was the actuary you were using?</p> <p>20 A Jason Stubbs of International Risk.</p> <p>21 Q Is it correct to say that Mr. Stubbs</p> <p>22 arrived at the \$25 million figure?</p> <p>23 A He arrived at the \$25 million figure in</p> <p>24 discussions with Pete and J.P.</p> <p>25 Q What were those discussions about?</p>	<p>136</p> <p>1 refresh. Mark this as 126.</p> <p>2 (Document marked Exhibit 126 for</p> <p>3 identification.)</p> <p>4 BY MR. BURT:</p> <p>5 Q I have handed you, Mr. Adamczak, what's</p> <p>6 been marked as Exhibit 126, Bates BC</p> <p>7 SEN00000078777, which is an e-mail from a CIMA</p> <p>8 employee to Clayton price, cc'ing amongst others</p> <p>9 yourself, and then it has four attachments,</p> <p>10 including CIMA final reports.</p> <p>11 A Yes.</p> <p>12 Q Are you familiar with this?</p> <p>13 A Yes.</p> <p>14 Q And you recall receiving these reports in</p> <p>15 May of 2019 from CIMA?</p> <p>16 A Yes.</p> <p>17 Q I want to look at one page in particular,</p> <p>18 I know they are very lengthy, bear with me one</p> <p>19 moment. It is actually on Page 8 of the AML</p> <p>20 report, the Bates at the bottom will end in 78822,</p> <p>21 and it is Section 5.2.1.4 under Authorities</p> <p>22 Response, do you see that?</p> <p>23 A I do.</p> <p>24 Q And in here CIMA writes on April 4, 2019,</p> <p>25 "The authority held a telephone interview with</p>

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<p>137</p> <p>1 Mr. Jason D. Stubbs of Risk International, the</p> <p>2 licensee's actuary. During the interview</p> <p>3 Mr. Stubbs informed the authority that he was not</p> <p>4 involved in the determination of premium pricing</p> <p>5 for the licensee to any extent at all but rather</p> <p>6 his role was limited to technical reserving. He</p> <p>7 added that his involvement arose after premium</p> <p>8 decisions had been finalized by the licensee. The</p> <p>9 authority notes with concern that the management's</p> <p>10 assertion that the ATE policy premium of U.S.</p> <p>11 25,000,000 was established based on a pricing</p> <p>12 study conducted by the licensee's actuary</p> <p>13 contradicts the actuary's position."</p> <p>14 Were you aware of that finding of the</p> <p>15 authority?</p> <p>16 A It states here that that is the case, so I</p> <p>17 was aware.</p> <p>18 Q Do you disagree with that finding?</p> <p>19 A I disagree with the fact that there were</p> <p>20 discussions with Mr. Stubbs and Mr. Kranz and</p> <p>21 Mr. Sevilla regarding pricing analysis. The</p> <p>22 pricing analysis was never formally finalized, so</p> <p>23 from the standpoint of Mr. Stubbs response maybe</p> <p>24 that's true because it wasn't formalized.</p> <p>25 Q I guess what I am trying to understand is</p>	<p>139</p> <p>1 A I have never heard of Neil Horner.</p> <p>2 Q And what role did Paul Scrivener play in</p> <p>3 the June, 2017 timeframe with respect --</p> <p>4 A Hold on, let me catch up.</p> <p>5 Q Sure.</p> <p>6 A We are on Page 3 or 2?</p> <p>7 Q Page 3, the June 12, 2017 e-mail.</p> <p>8 A Yes, I am with you.</p> <p>9 Q The subject of this e-mail is the draft</p> <p>10 ATE policy, and my question is what role</p> <p>11 Mr. Scrivener played with that, with the ATE</p> <p>12 policy.</p> <p>13 A What was the question again?</p> <p>14 Q No problem.</p> <p>15 The question was what role did</p> <p>16 Mr. Scrivener play with respect to the ATE policy?</p> <p>17 A I believe we had contacted Solomon Harris</p> <p>18 along with a number of legal firms to provide</p> <p>19 guidance in terms of drafting the ATE policy.</p> <p>20 Q Around here in the third paragraph that</p> <p>21 begins with "the insurer here", do you see that?</p> <p>22 A Yes.</p> <p>23 Q It says, "The insurer here, Sentinel</p> <p>24 Reinsurance Limited, or Sentinel, is a Cayman</p> <p>25 licensed insurer and is affiliated with both a</p>
<p>138</p> <p>1 the timing in arriving at the figure. Did that</p> <p>2 figure come prepackaged by Mr. Sevilla to</p> <p>3 Mr. Stubbs say I want a policy with around a</p> <p>4 premium of 25 million, make it work, or did</p> <p>5 Mr. Stubbs arrive at that figure independently?</p> <p>6 A I was not part of those discussions so I</p> <p>7 do not know.</p> <p>8 Q Well, how about Beecher, as Beecher's</p> <p>9 corporate representative do you know?</p> <p>10 A I do not know.</p> <p>11 Q Let's look at a few other documents maybe</p> <p>12 that will help here.</p> <p>13 (Document marked Exhibit 127 for</p> <p>14 identification.)</p> <p>15 BY MR. BURT:</p> <p>16 Q I am showing you what's been marked as</p> <p>17 Exhibit 127 Bates number BC SEN00007459020. And</p> <p>18 I'd like to draw your attention first to the</p> <p>19 second-in-time e-mail which is on the third page,</p> <p>20 it's an e-mail from Paul Scrivener to Neil Horner,</p> <p>21 cc'ing J.P. Sevilla, Pete Kranz, and Robert</p> <p>22 Humphries.</p> <p>23 First, do you know what Paul Scrivener is?</p> <p>24 A He was an attorney with Solomon Harris.</p> <p>25 Q And who was Neil Horner?</p>	<p>140</p> <p>1 litigation funding business and a U.S. hedge fund</p> <p>2 management company." Do you see that?</p> <p>3 A Yes.</p> <p>4 Q And that's consistent with Beecher's</p> <p>5 understanding as well, correct, that Sentinel was</p> <p>6 affiliated with both the litigation funding</p> <p>7 business and the U.S. hedge fund management</p> <p>8 company or Highland?</p> <p>9 A Directly affiliated with litigation</p> <p>10 funding business through the Sentinel structure</p> <p>11 and affiliated with the U.S. hedge fund management</p> <p>12 company through common ownership.</p> <p>13 Q And that was Highland Capital was the U.S.</p> <p>14 hedge fund company, right?</p> <p>15 MR. WELDON: Objection.</p> <p>16 THE WITNESS: Correct.</p> <p>17 BY MR. BURT:</p> <p>18 Q And the common ownership being</p> <p>19 James Dondero and Scott Ellington?</p> <p>20 A Correct.</p> <p>21 Q So James Dondero and Scott Ellington are</p> <p>22 the owners of the U.S. hedge fund management</p> <p>23 company or Highland Capital Management, correct?</p> <p>24 MR. WELDON: Objection.</p> <p>25 THE WITNESS: I don't know to what extent</p>

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<p>1 they own Highland Capital Management. 2 BY MR. BURT: 3 Q I believe you just testified when I asked 4 the common ownership being James Dondero and 5 Scott Ellington and you said correct. 6 A I don't know how much ownership they had 7 of it, but it was our assumption that they had 8 some ownership. 9 Q Of Highland? 10 A Yes. 11 Q And did Mr. Sevilla ever tell you that? 12 A No. 13 Q How about Mr. DiOrio? 14 A No. 15 Q No one from Highland ever told you that? 16 A Maybe did it, I don't remember. 17 Q So then he says, "Sentinel in the 18 litigation funding business are existing clients 19 of Solomon Harris, I understand that this policy 20 will be the first third-party business written by 21 Sentinel with Sentinel initially set up to insure 22 or reinsurer certain group risks." 23 Do you know what he meant by third-party 24 business written by Sentinel? 25 A Third-party business being not the parent</p>	<p>141 1 Q Is that consistent with Beecher's 2 understanding at the time that the total assets of 3 the funds to be insured have an NAV of around 4 100 million? 5 MR. WELDON: Objection. 6 THE WITNESS: No. 7 BY MR. BURT: 8 Q What was Beecher's understanding? 9 A That the fair value was undetermined. 10 Q So in June of 2017 it was unknown as far 11 as Beecher was aware of -- 12 A Correct. 13 Q -- of the value? 14 Do you have any idea where Mr. Scrivener 15 may have gotten that figure? 16 A I don't know. 17 Q And he says here that -- strike that. All 18 right. 19 He says, "There is scope for a settlement 20 still, the deal that Sentinel has reached with the 21 funds is that for a premium of U.S. 20 million 22 Sentinel will provide cover of up to 85 million on 23 either, one, judgment against the funds or, two, 24 settlement being reached." 25 So here we see him talking about a premium</p>
<p>142 1 risks. 2 Q I am not sure I understand that, what do 3 you mean by that? 4 A It is not -- if it is in a direct line 5 with the ownership, the parents, it would be 6 affiliated risk. If it's a sister company or some 7 distant relationship it would fall under the 8 third-party risk. 9 Q I see. 10 So the fact that it had common ownership 11 didn't mean that it was first-party business it 12 could still be called third-party business? 13 A Correct. 14 Q Then he writes in the next paragraph, "The 15 insureds under this policy will be Cayman and 16 Bermuda hedge funds that are currently embroiled 17 in well-advanced litigation as defendants. The 18 matter is set down for trial in August/September 19 of this year. The total potential exposure in the 20 litigation is in the order of U.S. 500 million and 21 the total assets of the funds have an NAV of 22 around U.S. 100 million." 23 I will stop there. Do you understand NAV 24 to mean net asset value? 25 A Yes.</p>	<p>143 1 of 20 million and a cover of up to 85 million. Is 2 that consistent with Beecher's understanding in 3 June of 2017 that those were the figures being 4 considered? 5 MR. WELDON: Objection. 6 THE WITNESS: Yes. 7 BY MR. BURT: 8 Q And where did those figures come from? 9 A Through the discussions with the actuary. 10 Q So Beecher's testimony would be that the 11 actuary had provided both the \$25 million figure 12 and the \$85 million figure? 13 A I know there was a discussion between 14 J.P., Pete, and Jason Stubbs to prepare the 15 premium pricing model, and that was the outcome of 16 the draft premium pricing model that was provided. 17 Q And, again, the assumptions that went into 18 that model were provided by Mr. Sevilla and 19 Mr. Kranz? 20 A That is my understanding. 21 Q It then says, "Cover includes any legal 22 costs payable to the plaintiffs but not the fund's 23 own legal costs." And we have seen that is 24 actually not how the policy ended up being 25 written, is that right?</p> <p>144</p>

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<p>1 MR. WELDON: Objection.</p> <p>2 THE WITNESS: Correct.</p> <p>3 BY MR. BURT:</p> <p>4 Q Then it says, "The U.S. 20 million premium</p> <p>5 will be satisfied in kind by the funds</p> <p>6 transferring their investment portfolios to</p> <p>7 Sentinel. There will be an actuarial assessment</p> <p>8 of the portfolio assets." Do you see that, do you</p> <p>9 see where I was reading?</p> <p>10 A Yes.</p> <p>11 Q Was it Beecher's understanding that the</p> <p>12 plan was for the premium to be satisfied by the</p> <p>13 transfer of the entire investment portfolios of</p> <p>14 the funds?</p> <p>15 A Yes.</p> <p>16 Q So that was always understood?</p> <p>17 A Always.</p> <p>18 Q Where did that idea come from?</p> <p>19 A J.P.</p> <p>20 Q And he says, "Again, in future tense there</p> <p>21 will be an actuarial assessment of the portfolio</p> <p>22 asset."</p> <p>23 That gets back to my question about timing</p> <p>24 whether the actuarial assessment happened after</p> <p>25 the figures had been arrived at or was informed by</p>	<p>145</p> <p>1 A Yes.</p> <p>2 Q Do you see that?</p> <p>3 Cc'd on that are Pete Kranz and Isaac</p> <p>4 Leventon.</p> <p>5 So just to level set in terms of timing,</p> <p>6 this e-mail is dated June 12 and I believe the</p> <p>7 last e-mail that we have been looking at from</p> <p>8 Mr. Scrivener was also dated June 12, 2017.</p> <p>9 A Okay.</p> <p>10 Q Do you see that?</p> <p>11 A I do.</p> <p>12 Q So here Mr. Sevilla writes to Jason</p> <p>13 Stubbs, "Jason, I will be speaking to your GC</p> <p>14 later this afternoon and I anticipate we will</p> <p>15 finalize the NDA then." Do you know what NDA</p> <p>16 refers to?</p> <p>17 A Nondisclosure agreement, or something like</p> <p>18 that, I don't know.</p> <p>19 Q Was that part of retaining or bringing on</p> <p>20 Bartlett Actuarial to provide work?</p> <p>21 A Nothing that I am involved with.</p> <p>22 Q You are not involved with that at all, all</p> <p>23 right.</p> <p>24 And then they have a few back and forth</p> <p>25 about setting up a time to have a call and getting</p>
<p>146</p> <p>1 these figures.</p> <p>2 A I don't know what he is referring to in</p> <p>3 terms of an actuarial assessment of the portfolio</p> <p>4 assets.</p> <p>5 Q Let's look at -- keep that handy, I am</p> <p>6 going to show you another exhibit along these</p> <p>7 lines.</p> <p>8 MS. REPORTER: It will be 128.</p> <p>9 (Document marked Exhibit 128 for</p> <p>10 identification.)</p> <p>11 BY MR. BURT:</p> <p>12 Q This is a somewhat lengthy e-mail</p> <p>13 exchange, feel free to take a look at it, but I</p> <p>14 also can draw your attention to specific portions.</p> <p>15 I will state for the record it is Exhibit 128</p> <p>16 Bates label BC SEN0000662979.</p> <p>17 Mr. Adamczak, let me know when you are</p> <p>18 ready.</p> <p>19 A I am ready.</p> <p>20 Q The first e-mail, it is hard to see</p> <p>21 because of all of the disclaimers that appear at</p> <p>22 the end, it is the end of page, 1, 2, 3, 4, 5, 6,</p> <p>23 at the bottom there is an e-mail from J.P. Sevilla</p> <p>24 to a Jason Stubbs at Bartlett Actuarial Group</p> <p>25 dated June 12, 2017?</p>	<p>147</p> <p>1 the NDA signed.</p> <p>2 If you look at the next page that ends in</p> <p>3 Bates 662983, it is about almost halfway up,</p> <p>4 J.P. Sevilla's e-mail on June 13 to Jason Stubbs</p> <p>5 and says, "I have it signed and ready to go,</p> <p>6 referring to the NDA, I just don't know how to</p> <p>7 fill in the first blank describing our company."</p> <p>8 Excuse me, that was an e-mail from Mr. Stubbs to</p> <p>9 Mr. Sevilla and then Mr. Sevilla responds that can</p> <p>10 be left blank, do you see that?</p> <p>11 A Yes.</p> <p>12 Q And then Mr. Stubbs sends an executed copy</p> <p>13 of the NDA and at the top of this e-mail chain is</p> <p>14 an e-mail from Jason Stubbs to J.P. Sevilla on</p> <p>15 June 16, 2017 regarding the ATE policy, do you see</p> <p>16 that?</p> <p>17 A Yes.</p> <p>18 Q And this actually includes, if you look at</p> <p>19 the bottom of the next page, responses from</p> <p>20 J.P. Sevilla to Jason Stubbs in all caps, do you</p> <p>21 see that, J.P. writes, "thanks, Jason please see</p> <p>22 my comment in caps. Isaac, please weigh in."</p> <p>23 A Okay, I do see that.</p> <p>24 Q So if you go to the next e-mail --</p> <p>25 A I see, yes.</p> <p>148</p>

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<p>149</p> <p>1 Q In that e-mail you see the all capped</p> <p>2 comments from Mr. Sevilla. So Mr. Stubbs writes</p> <p>3 on Friday June 16, "I seem to have confused</p> <p>4 myself. In the original dialogue I thought</p> <p>5 Sentinel would be writing a policy to the</p> <p>6 plaintiff, UBS, to cover legal costs for the</p> <p>7 defendant CB and HFP and affiliates in case UBS</p> <p>8 lost the suit. But the call clarified that the</p> <p>9 insurance would be for damages, not legal costs,</p> <p>10 so the policy would really be for CDO and HFP and</p> <p>11 affiliates," and then in all caps it says, "YES,</p> <p>12 THAT IS CORRECT," do you see that?</p> <p>13 A I do.</p> <p>14 Q So it appears that Mr. Stubbs was learning</p> <p>15 about what this proposed policy would be around --</p> <p>16 at or around June 16, 2017, is that right?</p> <p>17 A Yes, correct.</p> <p>18 Q So that's after those figures that</p> <p>19 Mr. Scrivener had given in that June 12 e-mail,</p> <p>20 right?</p> <p>21 A I see, yes.</p> <p>22 MR. WELDON: Objection.</p> <p>23 BY MR. BURT:</p> <p>24 Q It very much appears that those figures</p> <p>25 had been arrived at prior to Mr. Stubbs providing</p>	<p>151</p> <p>1 optimistic scenarios, do you see that?</p> <p>2 A Correct.</p> <p>3 Q Do you recall him doing that type of work,</p> <p>4 providing three scenarios?</p> <p>5 A Yes.</p> <p>6 Q And when you testified earlier about the</p> <p>7 actuarial analysis that Mr. Stubbs was doing, is</p> <p>8 this what you were referring to?</p> <p>9 A Yes.</p> <p>10 Q So he would have done this based on</p> <p>11 information provided to him by Mr. Sevilla and</p> <p>12 Mr. Leventon and Mr. Kranz?</p> <p>13 A Correct.</p> <p>14 Q And in fact if you look at the second page</p> <p>15 there is an e-mail from Isaac Levenson to Jason</p> <p>16 Stubbs on June 22, where he says, "Jason, please</p> <p>17 take a look at my modifications in red below.</p> <p>18 Please run the scenarios based on these</p> <p>19 assumptions and then let's determine if it is</p> <p>20 appropriate to go to a final letter." And we see</p> <p>21 that the red that Mr. Levenson added reflects</p> <p>22 probability, he was adjusting probabilities, do</p> <p>23 you see that?</p> <p>24 A Yes.</p> <p>25 Q And then the same day Mr. Stubbs responds,</p>
<p>150</p> <p>1 any analysis, is that right?</p> <p>2 A Yes.</p> <p>3 Q Then Mr. Stubbs says, "Isaac said UBS's</p> <p>4 case is strong and the defense's strategy would be</p> <p>5 to contest the amount of damages," and then in all</p> <p>6 caps it says, "NOT ENTIRELY, part of the strategy</p> <p>7 is trying to settle and of course part of the</p> <p>8 strategy would be to win." And Mr. Stubbs writes,</p> <p>9 "So if I am thinking about this correctly Sentinel</p> <p>10 is going to write a policy for 80 million and it</p> <p>11 is likely that the policy will pay some or all of</p> <p>12 that limit," and then it says, "that is</p> <p>13 incorrect." And Mr. Stubbs asks further, "Is</p> <p>14 there any chance of post judgment interest in</p> <p>15 addition to the limit?"</p> <p>16 Do you know why Mr. Sevilla would have</p> <p>17 written that it's incorrect that Sentinel was</p> <p>18 going to write a policy for 80 million to cover</p> <p>19 some or all of that limit?</p> <p>20 A I do not know.</p> <p>21 Q If you go up we see on pages -- beginning</p> <p>22 on Page 2 and going into Page 3 of the e-mail we</p> <p>23 see -- feel free to take your time to look at it,</p> <p>24 three scenarios that Mr. Stubbs is working up, and</p> <p>25 I think he calls them going from pessimistic to</p>	<p>152</p> <p>1 he says, "Using the new probabilities you</p> <p>2 suggested here are the following expected results,</p> <p>3 Scenario 1, pessimistic, loss of 28.5 million;</p> <p>4 Scenario 2, moderate, profit of 1.0 million;</p> <p>5 Scenario 3, optimistic, profit of 3.5 million."</p> <p>6 It says, "These all still assume a premium of</p> <p>7 20 million and a policy limit of 80 million." Do</p> <p>8 you see that?</p> <p>9 A Yes.</p> <p>10 Q It appears that his scenarios were</p> <p>11 assuming the premium and policy limit that</p> <p>12 Mr. Scrivener had described on June 12?</p> <p>13 A Not really. He said 20 million and 85</p> <p>14 million of coverage.</p> <p>15 Q Fair enough.</p> <p>16 So instead of 85 million he says the</p> <p>17 assumption is the policy limit of 80 million?</p> <p>18 A Sure.</p> <p>19 Q But otherwise the same premium is used,</p> <p>20 correct?</p> <p>21 A Correct.</p> <p>22 Q Were you aware at the time in June of 2017</p> <p>23 about these scenarios in the loss and profits that</p> <p>24 Mr. Stubbs was calculating?</p> <p>25 A Yes.</p>

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<p>153</p> <p>1 Q What did you understand about those</p> <p>2 calculations?</p> <p>3 A That there was -- these were the</p> <p>4 calculations that were going to determine the</p> <p>5 ultimate liability that was attached to the policy</p> <p>6 as well as the premium.</p> <p>7 Q Mr. Kranz, if we go to Page 16 of the</p> <p>8 e-mail chain, Mr. Kranz writes to Mr. Stubbs,</p> <p>9 "Jason, are you comfortable with the probabilities</p> <p>10 in providing a letter outlining the conclusions</p> <p>11 below? Is it common to request an actuarial</p> <p>12 letter in these types of situations when premiums</p> <p>13 and policies are being determined?"</p> <p>14 A Yes. There has got to be some kind of</p> <p>15 support for how the premium is determined.</p> <p>16 Q Then Mr. Stubbs responds on June 22 again</p> <p>17 and he says, "I just realized I had some wayward</p> <p>18 numbers in my analysis related to ultimate limits</p> <p>19 I have been looking at. It only affected Scenario</p> <p>20 2. Instead of profit of a million in this</p> <p>21 scenario it should have been a loss of</p> <p>22 12.5 million. My most sincere apologies for the</p> <p>23 error."</p> <p>24 Were you aware that he miscalculated first</p> <p>25 on Scenario 2?</p>	<p>155</p> <p>1 A That's what it would state.</p> <p>2 Q Did Beecher understand that at the time?</p> <p>3 A Yes.</p> <p>4 Q Was Beecher concerned about that, that</p> <p>5 this policy would result in a loss to Sentinel</p> <p>6 even under the most optimistic?</p> <p>7 A I don't --</p> <p>8 MR. WELDON: Objection.</p> <p>9 THE WITNESS: I don't recall.</p> <p>10 BY MR. BURT:</p> <p>11 Q You recall being aware of it but you don't</p> <p>12 recall whether it was a concern?</p> <p>13 MR. WELDON: Objection.</p> <p>14 THE WITNESS: I don't.</p> <p>15 BY MR. BURT:</p> <p>16 Q Let's look at the letter that ends up</p> <p>17 being submitted on June 27, I think it's the last</p> <p>18 few pages of that exhibit. Do you see where I am</p> <p>19 looking at that letter?</p> <p>20 A Yes, I am with you.</p> <p>21 Q Okay, perfect.</p> <p>22 And here it is the June 27 letter to</p> <p>23 Mr. Kranz from Bartlett Actuarial Group. Now, in</p> <p>24 the background section it says in the first</p> <p>25 paragraph, "Sentinel is a captive insurance</p>
<p>154</p> <p>1 A Yes.</p> <p>2 Q So under this sort of not pessimistic/not</p> <p>3 optimistic but under the moderate scenario his</p> <p>4 actuarial analysis was that this policy would</p> <p>5 result in a loss of 12.5 million to Sentinel, is</p> <p>6 that right?</p> <p>7 MR. WELDON: Objection.</p> <p>8 THE WITNESS: It would appear so.</p> <p>9 BY MR. BURT:</p> <p>10 Q And then in his next e-mail, he says,</p> <p>11 Mr. Stubbs says, "I spoke too soon, both Scenario</p> <p>12 2 and Scenario 3 were affected. Using the</p> <p>13 probabilities provided by Isaac there would also</p> <p>14 be a loss in the third scenario of 0.5 million.</p> <p>15 Apparently I was in favor of looking at lower</p> <p>16 limits and forgot to reset the assumptions back to</p> <p>17 what I provided originally."</p> <p>18 Here he is saying that even under the most</p> <p>19 optimistic scenario given the probabilities and</p> <p>20 assumptions that have been provided the scenario</p> <p>21 was a loss on the policy of 0.5 million, correct?</p> <p>22 A That's what it states.</p> <p>23 Q So even under the most optimistic view of</p> <p>24 the policy the actuarial analysis was it would</p> <p>25 result in a loss to Sentinel?</p>	<p>156</p> <p>1 company domiciled in the Cayman Islands and owned</p> <p>2 by SAS Asset Recovery Limited. Sentinel was</p> <p>3 incorporated on March 1, 2014 to provide directors</p> <p>4 and officers liability coverage to SAS Asset</p> <p>5 Recovery Limited and its affiliated entities.</p> <p>6 Sentinel would to provide" -- looks like there is</p> <p>7 a typo there -- "ATE insurance company to</p> <p>8 unrelated parties, Highland Special Opportunities</p> <p>9 Holding Company and codefendants, collectively</p> <p>10 Highlands, related to a lawsuit that has been</p> <p>11 filed against Highlands."</p> <p>12 Do you know where he got the idea that the</p> <p>13 parties were unrelated?</p> <p>14 A Either through discussions with Beecher</p> <p>15 Carlson or J.P. Sevilla.</p> <p>16 Q As we have discussed the parties had</p> <p>17 common ownership though, right?</p> <p>18 MR. WELDON: Objection.</p> <p>19 THE WITNESS: Yes.</p> <p>20 BY MR. BURT:</p> <p>21 Q And in that sense were related parties?</p> <p>22 MR. WELDON: Objection.</p> <p>23 THE WITNESS: Not entirely the way that I</p> <p>24 would see it.</p> <p>25</p>

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<p>157</p> <p>1 BY MR. BURT:</p> <p>2 Q And how is that?</p> <p>3 A Because we were talking about from an</p> <p>4 insurance standpoint affiliated risks were those</p> <p>5 in the direct line of the parent, whereas the</p> <p>6 unrelated risks would be more distant cousins or</p> <p>7 other entities not closely related to Sentinel.</p> <p>8 Q So it's that distinction that you had made</p> <p>9 before?</p> <p>10 A Correct.</p> <p>11 Q Is that a distinction that when you were</p> <p>12 discussing with CIMA that you made that -- did you</p> <p>13 make that same distinction?</p> <p>14 MR. WELDON: Objection.</p> <p>15 THE WITNESS: Yes, I believe so.</p> <p>16 MR. BURT: One moment, please.</p> <p>17 (Document marked Exhibit 129 for</p> <p>18 identification.)</p> <p>19 MR. BURT: Keep that prior exhibit handy,</p> <p>20 but we will look at this one.</p> <p>21 BY MR. BURT:</p> <p>22 Q Handing you what's been marked as</p> <p>23 Exhibit 129, Bates BCS EN a bunch of 0s, 5065.</p> <p>24 Let me know when you are ready.</p> <p>25 A I am ready.</p>	<p>159</p> <p>1 point to CIMA that all are related in some way,</p> <p>2 Sentinel UBO ultimately controls the insureds."</p> <p>3 Do you see that?</p> <p>4 A Yes.</p> <p>5 Q Do you recall telling CIMA that fact, that</p> <p>6 the Sentinel UBOs ultimately controls the</p> <p>7 insureds?</p> <p>8 A I don't recall.</p> <p>9 Q Do you recall writing that at the time in</p> <p>10 2019?</p> <p>11 A Yes.</p> <p>12 Q Why did you tell that to Mr. Stubbs?</p> <p>13 A I don't recall.</p> <p>14 Q Is it -- were you correct that the</p> <p>15 Sentinel UBO ultimately controls the insureds, was</p> <p>16 that Beecher's understanding?</p> <p>17 A The insureds of the ATE?</p> <p>18 Q Correct.</p> <p>19 A Correct.</p> <p>20 Q So not only did -- the Sentinel UBOs we</p> <p>21 have established are Mr. Dondero and</p> <p>22 Mr. Ellington, correct?</p> <p>23 A Correct.</p> <p>24 Q So not only did they own at least part of</p> <p>25 the Highland, Highland Capital and its entities,</p>
<p>158</p> <p>1 Q So looking at the first page here, this is</p> <p>2 in the May, 2019 period and you have -- second</p> <p>3 e-mail down is from you to Mr. Stubbs, again, on</p> <p>4 May 9, 2019, do you see that?</p> <p>5 A Yes.</p> <p>6 Q And this regards the Sentinel year-end</p> <p>7 actuarial analysis, right?</p> <p>8 A Yes.</p> <p>9 Q Did you testify before, and I apologize if</p> <p>10 I misunderstood, that he did a yearly actuarial</p> <p>11 analysis?</p> <p>12 A Correct. That's for determining the loss</p> <p>13 reserves.</p> <p>14 Q Understood. Okay.</p> <p>15 So here you write, "I have a few edits</p> <p>16 based on the recent examination." What</p> <p>17 examination were you referring to?</p> <p>18 A This is the inspection that CIMA conducted</p> <p>19 in early 2019.</p> <p>20 Q The first bullet, we will skip that.</p> <p>21 The second bullet, Page 3, third</p> <p>22 paragraph, you write, "I want to get Matt to weigh</p> <p>23 in here as it references the ATE coverage being</p> <p>24 provided to unaffiliated entities," and you have</p> <p>25 unaffiliated in quotes, "yet we keep making the</p>	<p>160</p> <p>1 but you state also they controlled those insureds</p> <p>2 as well, correct?</p> <p>3 A Yes.</p> <p>4 Q And that was Beecher's understanding?</p> <p>5 A Yes.</p> <p>6 Q And if you actually -- if you actually</p> <p>7 look at this draft report, and we look at Page 3,</p> <p>8 it is actually the attachment that Mr. Stubbs sent</p> <p>9 back, it says, "Hi Tom, here is the revised draft</p> <p>10 report." And if we go to the third paragraph on</p> <p>11 Page 3 we will see that it's taken out the</p> <p>12 affiliated language so it states, "As of August 1,</p> <p>13 2017, Sentinel began providing after the event</p> <p>14 insurance coverage. Sentinel has currently</p> <p>15 written one ATE policy to Highland Special</p> <p>16 Opportunities Holding Company and codefendants,</p> <p>17 collectively Highlands, relating to a lawsuit that</p> <p>18 has been filed against Highlands." Do you see</p> <p>19 that?</p> <p>20 A Yes, I do see that.</p> <p>21 Q So Mr. Stubbs followed your edited and</p> <p>22 took the affiliate out?</p> <p>23 A Yes.</p> <p>24 Q Do you recall that?</p> <p>25 A Yes.</p>

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<p>161</p> <p>1 Q Let's go back to the June 27, 2017 letter</p> <p>2 that Mr. Stubbs wrote. In the last paragraph on</p> <p>3 the first page under background it states, "The</p> <p>4 plaintiff in the lawsuit is seeking damages of</p> <p>5 over 680 million from Highlands. Sentinel is</p> <p>6 proposing to write a policy to cover Highlands</p> <p>7 liability to the plaintiff up to a limit of 80</p> <p>8 million and they have suggested a premium of 20</p> <p>9 million." Do you see that?</p> <p>10 A I do.</p> <p>11 Q So Mr. Stubbs here is saying it appears</p> <p>12 that Sentinel has suggested that the premium be 20</p> <p>13 million, right?</p> <p>14 A That would appear to be the case.</p> <p>15 Q And that would be consistent also with</p> <p>16 what CIMA found in that report that we already</p> <p>17 looked at about how the premium was arrived, do</p> <p>18 you recall that?</p> <p>19 A I don't recall that.</p> <p>20 Q We can come back to that in a moment.</p> <p>21 It states, "The policy would cover pre and</p> <p>22 post judgment interest within the limit and would</p> <p>23 pay in the event of a judgment against Highlands</p> <p>24 or pretrial settlement between the parties to the</p> <p>25 lawsuit. Legal expenses would not be covered.</p>	<p>163</p> <p>1 A That's what it says.</p> <p>2 Q Again, that was information provided by</p> <p>3 Mr. Leventon and Mr. Sevilla?</p> <p>4 A Correct.</p> <p>5 Q Liability reduced in judgment 40%</p> <p>6 probability, 40 million expected payout. The</p> <p>7 total -- so the probability totals to 100% and the</p> <p>8 expected payout totals to 48.5 million.</p> <p>9 Do you know how he arrives at the</p> <p>10 48.5 million?</p> <p>11 A Math?</p> <p>12 Q Is it just an average?</p> <p>13 A I think it is the average based on the</p> <p>14 probabilities.</p> <p>15 Q So a weighted average?</p> <p>16 A Yes.</p> <p>17 Q Then he lists the premium there of 20</p> <p>18 million and then so the profit loss in the</p> <p>19 pessimistic scenario based on the probabilities</p> <p>20 and the weighted average would be negative</p> <p>21 28.5 million the way the policy is written, right?</p> <p>22 A Correct.</p> <p>23 Q So I don't want to belabor, Scenario 2,</p> <p>24 the same analysis, this is the moderate scenario,</p> <p>25 he calculates the profit loss at negative</p>
<p>162</p> <p>1 The court has set a trial date of September,</p> <p>2 2017." Okay.</p> <p>3 On Page 2 we see Scenarios 1 and 2 that we</p> <p>4 looked at in the e-mail exchange, and I just want</p> <p>5 to make sure I am understanding these right.</p> <p>6 Under Scenario 1, and I think he said this was the</p> <p>7 pessimistic outcome.</p> <p>8 A Yes.</p> <p>9 Q He has here a pretrial settlement, the</p> <p>10 probability is 5% and the expected payout would be</p> <p>11 10 million on that probability, is that right?</p> <p>12 A That's what it says.</p> <p>13 Q Do you know how he arrives at the expected</p> <p>14 payout number based on the probability?</p> <p>15 A I believe those were numbers that were</p> <p>16 provided in the discussion with Isaac and J.P.</p> <p>17 Q The next line is judgment in favor of</p> <p>18 Highlands, so the defendant, probability 15% and</p> <p>19 then in that case there would be zero payout,</p> <p>20 right, because they won?</p> <p>21 A Correct.</p> <p>22 Q And then judgment in favor of plaintiff,</p> <p>23 the full liability, 686 million plus pre and post</p> <p>24 judgment interests probability 40% expected payout</p> <p>25 80 million, is that right?</p>	<p>164</p> <p>1 12.5 million, correct?</p> <p>2 A Correct.</p> <p>3 Q And Scenario 3, the next page, again, same</p> <p>4 analysis, this time this is the optimistic</p> <p>5 scenario and he calculates the profit loss on the</p> <p>6 policy negative 0.5 million, is that right?</p> <p>7 A Correct.</p> <p>8 Q Is it common to write policies when the</p> <p>9 actuary has determined that under any scenario</p> <p>10 there will be a loss on the policy?</p> <p>11 A No.</p> <p>12 Q Do you know why this one was written even</p> <p>13 though that's what the actuary found?</p> <p>14 A I do not.</p> <p>15 Q Did Beecher have any involvement in making</p> <p>16 the final determination to issue the policy?</p> <p>17 A Sorry, say that again?</p> <p>18 Q It might not have been clear.</p> <p>19 Did Beecher have any involvement in the</p> <p>20 decision to actually end up issuing the policy?</p> <p>21 A No.</p> <p>22 MR. WELDON: Objection.</p> <p>23 BY MR. BURT:</p> <p>24 Q Who would have made that decision</p> <p>25 ultimately to issue the policy?</p>

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<p>165</p> <p>1 A The directors ultimately approved the ATE 2 policy. 3 Q And at the time was it outside directors 4 or was there also Highland directors? 5 A It was outside directors at that time. 6 Q Does Beecher have any insight into how the 7 directors decided to issue the policy despite this 8 actuarial analysis that had been done? 9 A This wouldn't have been the final premium 10 that was contemplated. The premium actually 11 jumped up to 25 million, I don't know how it would 12 have affected this. 13 Q One moment, please. 14 I guess my next question is how that 15 decision was made or how it came to be that the 16 premium did jump up by the 5 million. 17 A I don't know. 18 Q Did Beecher have any involvement with 19 that? 20 A I do not know. 21 Q Sorry, let's go back to, I lost track of 22 the exhibit, it is the e-mails with Paul 23 Scrivener, see if this will help refresh your 24 memory, it is Exhibit 127. 25 So the next -- we have looked at that</p>	<p>167</p> <p>1 forward with these, can you please give a final 2 review and add signature pages and any other final 3 cleanups, we will enter the correct signature 4 blocks. Below are the names of the insureds. 5 There will be two separate policies, one for each 6 of the below entities. We will handle filling out 7 the schedule and final numbers." And then he 8 lists Highland CDO Opportunity Fund and Highland 9 CDO Holding Company. 10 That is what Mr. Sevilla said on 11 August 14, right? 12 Were you aware -- sorry, you need to 13 answer audibly. 14 A Yes. 15 Q Were you aware there was two policies 16 being considered at that point? 17 A Yes. 18 Q What was your understanding for the 19 reasons why? 20 A Well, I personally wasn't aware so I 21 don't know -- 22 Q But Beecher was generally? 23 A Beecher would have been because Pete was 24 copied on these. 25 Q And so Beecher was aware.</p>
<p>166</p> <p>1 June 12 e-mail. The next-in-time e-mail is from 2 J.P. Sevilla to Paul Scrivener on August 4, 2017. 3 I do have a question about that date, the 4 August 4 date. If you look at the policy itself 5 on the schedule that we were looking at, the date 6 of commencement of period of insurance is 7 August 1, 2017. 8 A Yes. 9 Q How is it that the date of insurance could 10 begin before the drafts of the policy were 11 finalized? 12 A I don't think it's uncommon that the 13 policy language might be finalized shortly after 14 the policy accepts. 15 Q So it applies retroactively back to a 16 date? 17 A In this case, yes. 18 Q And that's not uncommon? 19 A It happens. 20 MR. WELDON: Off the record, I just -- I 21 will point you to the -- 22 MS. REPORTER: We are still on the record 23 we have video. 24 BY MR. BURT: 25 Q Mr. Sevilla writes, "We are ready to move</p>	<p>168</p> <p>1 Did you ever have discussions with 2 Mr. Kranz about that at the time? 3 A About there being two policies, no. 4 Q Or the reasons why it eventually ended up 5 as just one? 6 A No. 7 Q And then the next e-mail Mr. Sevilla 8 writes, "One more point, Paul, can you please add 9 language into the policy that specifies that the 10 insurance policies will cover the insured's own 11 costs and expenses as of the effective date, thank 12 you." Do you see that? 13 A I do. 14 Q So we had seen before that it would not 15 fund the legal costs, here Mr. Sevilla changes 16 that to the policy would cover the insured's own 17 costs, right? 18 A Yes. 19 Q Does Beecher know the reasons why the 20 switch? 21 A I don't know particularly related to the 22 legal costs, but I understand from J.P. that upon 23 payment of the premium there were no funds to be 24 able to pay any business costs or legal costs or 25 whatever within the insureds so those costs would</p>

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<p>169</p> <p>1 be borne by Sentinel under this own costs</p> <p>2 provision.</p> <p>3 Q And that was because the whole idea was to</p> <p>4 transfer all of the assets out of the insureds?</p> <p>5 A Correct.</p> <p>6 Q Going to the first page of this e-mail,</p> <p>7 Mr. Sevilla has some final changes on August 8,</p> <p>8 2017, this is the second to last e-mail in the</p> <p>9 chain, here he says, number one, he would like to</p> <p>10 consolidate the policies into one policy with</p> <p>11 three insureds, all of whom are codefendants with</p> <p>12 equal liability, do you see any issue in doing so,</p> <p>13 do you see that?</p> <p>14 A I do.</p> <p>15 Q Do you recall we walked through the</p> <p>16 schedule?</p> <p>17 A I do.</p> <p>18 Q One of them is not a defendant, right?</p> <p>19 A Correct.</p> <p>20 Q Would that have affected this because one</p> <p>21 of the defendants would not share an equal</p> <p>22 liability, would that have affected the policy?</p> <p>23 A I don't know.</p> <p>24 Q And then he says the policy limit is 120</p> <p>25 million and the premium will be 30 million, so</p>	<p>171</p> <p>1 exclusion if the insureds didn't have any funds to</p> <p>2 prosecute the action then the policy wouldn't</p> <p>3 cover it and that was removed, does that appear</p> <p>4 correct?</p> <p>5 A That is what it would appear.</p> <p>6 Q And to the best of your understanding, is</p> <p>7 that because all of the funds again were being</p> <p>8 transferred out of the insureds to Sentinel?</p> <p>9 A I don't know.</p> <p>10 Q You don't know that one, okay.</p> <p>11 That was your -- that was Beecher's</p> <p>12 understanding --</p> <p>13 MR. WELDON: Objection.</p> <p>14 BY MR. BURT:</p> <p>15 Q -- that all the assets were to be sent to</p> <p>16 Sentinel?</p> <p>17 A That is.</p> <p>18 Q Pete Kranz then responds at the very top</p> <p>19 and he says, "I see no issues with one policy," so</p> <p>20 Beecher Carlson at the time had no issue combining</p> <p>21 the two into one, it appears?</p> <p>22 A Correct.</p> <p>23 (Document marked Exhibit 130 for</p> <p>24 identification.)</p> <p>25</p>
<p>170</p> <p>1 here we are on August, 2017, we get new policy</p> <p>2 limit numbers and new premium numbers. Was</p> <p>3 Beecher aware of that at the time?</p> <p>4 A As Pete Kranz was copied on this we would</p> <p>5 have been aware.</p> <p>6 Q Any knowledge about why the change from 80</p> <p>7 to 120?</p> <p>8 A I do not know.</p> <p>9 Q Or from 20 to 30 million on the premium?</p> <p>10 A I do not know.</p> <p>11 Q It was Beecher's understanding, was it</p> <p>12 not, that these changes were coming from</p> <p>13 Mr. Sevilla?</p> <p>14 A Correct.</p> <p>15 Q And then No. 3, I want to look at, I have</p> <p>16 a question about, it says, "Finally, please remove</p> <p>17 the clause that says in Section 3 that it's an</p> <p>18 exclusion if insured does not have funds to</p> <p>19 prosecute the action."</p> <p>20 So my first question is what is an</p> <p>21 exclusion in an insurance policy?</p> <p>22 A An exclusion is a clause that identifies</p> <p>23 scenarios that would not be covered under that</p> <p>24 policy.</p> <p>25 Q So it appears that the draft had as an</p>	<p>172</p> <p>1 BY MR. BURT:</p> <p>2 Q Mr. Adamczak, I have handed you what has</p> <p>3 been marked as Exhibit 130 with the Bates label</p> <p>4 HCMUBS005304, and I understand this was not</p> <p>5 produced by Beecher. So my question for you is</p> <p>6 whether you have ever seen this before.</p> <p>7 A This does not look familiar to me.</p> <p>8 Q If we look at Page 6, and I will represent</p> <p>9 to you this is a document that Highland Capital</p> <p>10 produced in litigation, if we look at Page 6 it</p> <p>11 says if Highland settles," and then it says</p> <p>12 "Sentinel controls HFP CDO fund assets currently</p> <p>13 94 million and Sentinel and HCM LP can use HFP CDO</p> <p>14 assets to generate cash to pay UBS settlement city</p> <p>15 and outstanding legal fees." And it talks about a</p> <p>16 tax liability being avoided and then it states</p> <p>17 that residual assets up to 50 million would stay</p> <p>18 at Sentinel.</p> <p>19 My question for you is did Beecher have</p> <p>20 any role in this settlement analysis or these</p> <p>21 considerations?</p> <p>22 A No.</p> <p>23 Q And then on -- if you flip to Page 8, so</p> <p>24 we will skip Slide 7, and it states "UBS</p> <p>25 settlement structure summary, Step 1, HFP/CDO fund</p>

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<p>173</p> <p>1 buys 90 million ATE policy from Sentinel. ATE</p> <p>2 premium equals all assets in the HFP/CDO fund," do</p> <p>3 you see that?</p> <p>4 A I do.</p> <p>5 Q Again, the question is did Beecher have</p> <p>6 any knowledge that this was the consideration</p> <p>7 going on internally at Highland at the time?</p> <p>8 MR. WELDON: Objection.</p> <p>9 THE WITNESS: This being?</p> <p>10 BY MR. BURT:</p> <p>11 Q That the ATE premium would be all assets</p> <p>12 and that the policy of HFP CDO fund and the policy</p> <p>13 would be a \$90 million policy?</p> <p>14 MR. WELDON: Objection.</p> <p>15 THE WITNESS: Is HFP CDO fund the insureds</p> <p>16 in the policy?</p> <p>17 BY MR. BURT:</p> <p>18 Q Well, let's look at the policy. I think</p> <p>19 you have it right there.</p> <p>20 MR. WELDON: Exhibit 125.</p> <p>21 THE WITNESS: Okay.</p> <p>22 BY MR. BURT:</p> <p>23 Q So HFP is not listed as an insured,</p> <p>24 correct?</p> <p>25 A Well, I don't know what the acronym is</p>	<p>175</p> <p>1 A I do.</p> <p>2 Q I assume your answer is the same, you are</p> <p>3 not aware at the time of those discussions to end</p> <p>4 up in a scenario where Sentinel would keep</p> <p>5 \$50 million worth of assets?</p> <p>6 MR. WELDON: Objection, asked and</p> <p>7 answered.</p> <p>8 THE WITNESS: I was not.</p> <p>9 BY MR. BURT:</p> <p>10 Q Real quick, back on Slide 6, I neglected</p> <p>11 to ask, they state here that the fund -- that</p> <p>12 Sentinel controls the HFP CDO fund assets</p> <p>13 currently 94 million. Do you have any knowledge</p> <p>14 about how that value was arrived at?</p> <p>15 A I do not.</p> <p>16 Q And it was -- your knowledge -- it was</p> <p>17 Beecher's knowledge at the time that was yet to be</p> <p>18 determined?</p> <p>19 MR. WELDON: Objection.</p> <p>20 THE WITNESS: I don't know the timeframe</p> <p>21 that this was prepared.</p> <p>22 BY MR. BURT:</p> <p>23 Q I am talking about the May/June 2017</p> <p>24 timeframe those e-mails we were looking at.</p> <p>25 A We knew nothing of the fair value of the</p>
<p>174</p> <p>1 there.</p> <p>2 Q If you look under legal action do you see</p> <p>3 there is an entity about halfway down called</p> <p>4 Highland Financial Partners, LP?</p> <p>5 A Yes. But that's taking the assumption</p> <p>6 that HFP stands for Highland Financial Partners,</p> <p>7 but I see where you are going.</p> <p>8 Q You never heard as Highland Financial</p> <p>9 Partners referred to as HFP?</p> <p>10 A I have.</p> <p>11 Q And it is not listed as one of the</p> <p>12 insureds above in the schedule, Highland Financial</p> <p>13 Partners?</p> <p>14 A Correct.</p> <p>15 Q So, again, the question is did Beecher</p> <p>16 have any involvement with these discussions</p> <p>17 regarding a potential settlement structure and</p> <p>18 policy?</p> <p>19 MR. WELDON: Objection, asked and</p> <p>20 answered.</p> <p>21 THE WITNESS: No.</p> <p>22 BY MR. BURT:</p> <p>23 Q And then the conclusion you see on that</p> <p>24 slide is that Sentinel keeps the net assets, could</p> <p>25 be up to \$50 million, do you see that?</p>	<p>176</p> <p>1 assets that would be received.</p> <p>2 Q So looking at Slide 6 and 8, they value,</p> <p>3 it appears, the assets at 94 million and wanted to</p> <p>4 purchase a \$90 million ATE policy. Do you see</p> <p>5 that?</p> <p>6 A Yes.</p> <p>7 Q And that all the assets would fund the ATE</p> <p>8 premium, so the 94 million under this scenario</p> <p>9 would fund the premium.</p> <p>10 MR. WELDON: Objection.</p> <p>11 BY MR. BURT:</p> <p>12 Q Is that right?</p> <p>13 A It was the understanding at the time that</p> <p>14 the ATE policy was issued that all funds or assets</p> <p>15 within the insureds would transfer to Sentinel to</p> <p>16 pay premium.</p> <p>17 Q You can set that exhibit aside.</p> <p>18 A Are we going to need a lot of these?</p> <p>19 Q I would keep the policy, that one -- you</p> <p>20 can set the other ones aside.</p> <p>21 MR. BURT: Why don't we take a break, we</p> <p>22 only have a few minutes left on the disk.</p> <p>23 THE VIDEOGRAPHER: This marks the end of</p> <p>24 Disk No. 3 in the deposition of Thomas Adamczak,</p> <p>25 we are off the record at 2:10.</p>

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<p>177</p> <p>1 (Recess taken.)</p> <p>2 THE VIDEOGRAPHER: Here begins Disk No. 4</p> <p>3 in the deposition of Thomas Adamczak, we are back</p> <p>4 on the record at 2:17.</p> <p>5 (Document marked Exhibit 131 for</p> <p>6 identification.)</p> <p>7 BY MR. BURT:</p> <p>8 Q Mr. Adamczak, showing you what's been</p> <p>9 marked as Exhibit 131 with the Bates BC</p> <p>10 SEN0000046128. Go ahead and take a look at that</p> <p>11 and let me when you are ready.</p> <p>12 A I am ready.</p> <p>13 Q This is an e-mail to you David A. Roberts</p> <p>14 at Crowe Horwath on May 23, 2017, is that right?</p> <p>15 A Correct.</p> <p>16 Q Who is David Roberts?</p> <p>17 A David Roberts is a partner in an audit</p> <p>18 firm that we typically work with.</p> <p>19 Q And is that from -- you referred to them</p> <p>20 as Crowe?</p> <p>21 A Crowe Horwath, shortened their name to</p> <p>22 Crowe.</p> <p>23 Q Are they located in Burlington?</p> <p>24 A They have an office in Burlington.</p> <p>25 Q I saw their building over there.</p>	<p>179</p> <p>1 expectation it will limit issues/concerns with the</p> <p>2 future audit."</p> <p>3 And that -- you ended up hiring Valuation</p> <p>4 -- what was the name?</p> <p>5 A Valuation Research Corporation.</p> <p>6 Q Did David Roberts recommend them?</p> <p>7 A I think that might have been a</p> <p>8 recommendation coming from him.</p> <p>9 Q Now, in the May -- on May 23, 2017 you</p> <p>10 knew that Sentinel was looking to receive these</p> <p>11 assets as premium on an ATE policy, right?</p> <p>12 A We were provided with a list of assets</p> <p>13 from J.P. I do not know if these were the assets</p> <p>14 that ultimately came in or the value of them</p> <p>15 coming in.</p> <p>16 Q So that was -- you answered my next</p> <p>17 question, which was where did this come from, it</p> <p>18 was from J.P. Sevilla.</p> <p>19 MR. WELDON: Objection.</p> <p>20 BY MR. BURT:</p> <p>21 Q Is that right?</p> <p>22 A That is correct.</p> <p>23 Q Although Beecher was holding books and</p> <p>24 records for Sentinel at the time as its captive</p> <p>25 insurance manager, these were not at the time part</p>
<p>178</p> <p>1 And did he work on the Sentinel auditing</p> <p>2 for --</p> <p>3 A No.</p> <p>4 Q He did not?</p> <p>5 A No.</p> <p>6 Q Why did you e-mail him at this time?</p> <p>7 A Just to touch base with him regarding</p> <p>8 investment valuation if there were any</p> <p>9 recommendations that they might have for firms</p> <p>10 that we could reach out to engage.</p> <p>11 Q So here you write, "Dave, do you have a</p> <p>12 few minutes to discuss an item on Sentinel."</p> <p>13 Did he know who Sentinel was?</p> <p>14 A I think we bounced some things off him</p> <p>15 before.</p> <p>16 Q It says, "It is not an audit issue yet,</p> <p>17 but I would like to pick your brain so it doesn't</p> <p>18 become an issue after next year. I have attached</p> <p>19 a list of investments that Sentinel is looking to</p> <p>20 receive as premium payment on the new after the</p> <p>21 event coverage they will begin writing shortly.</p> <p>22 Since these investments are not readily marketable</p> <p>23 my concern is with valuation. Pete indicated you</p> <p>24 might be able to provide suggestions on firms we</p> <p>25 can engage to assist in valuing these with the</p>	<p>180</p> <p>1 of anything that Sentinel owned, is that right?</p> <p>2 A Correct.</p> <p>3 Q How did you know that they were not</p> <p>4 readily marketable at the time?</p> <p>5 A Based on discussions with J.P.</p> <p>6 Q When did J.P. first raise this with you?</p> <p>7 A When they were talking about writing the</p> <p>8 policy. I believe it was always known or conveyed</p> <p>9 to us from J.P. that the investments would -- that</p> <p>10 they did not have enough cash to pay and the</p> <p>11 premium would come in the form of assets, on</p> <p>12 liquid assets.</p> <p>13 Q Is that common with insurance policies</p> <p>14 that premiums come not in cash but through other</p> <p>15 types of assets?</p> <p>16 A It can happen. It doesn't happen</p> <p>17 frequently but it can happen.</p> <p>18 Q How about with the types of assets that</p> <p>19 were ultimately transferred here, is that a unique</p> <p>20 situation?</p> <p>21 A This was a unique situation.</p> <p>22 Q You had never seen this type of transfer</p> <p>23 before?</p> <p>24 A I have not.</p> <p>25 Q And how many different insurance policies</p>

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<p>181</p> <p>1 would you say you have worked on or managed over</p> <p>2 the years?</p> <p>3 A In all of my years?</p> <p>4 Q Yes.</p> <p>5 A Thousands.</p> <p>6 Q And you have never seen anything like</p> <p>7 this?</p> <p>8 A It doesn't mean that it is not possible to</p> <p>9 happen.</p> <p>10 Q What about it stands out as unique, what</p> <p>11 happened with these transfers?</p> <p>12 A Rephrase the question.</p> <p>13 Q So you said it was unique.</p> <p>14 A Unique in that the premium was in the form</p> <p>15 of non-marketable securities.</p> <p>16 Q So referring back to this exhibit, beyond</p> <p>17 just a list that was provided by J.P., did Beecher</p> <p>18 have any knowledge whatsoever about these assets</p> <p>19 at the time or what they were or their value?</p> <p>20 A No, we did not.</p> <p>21 Q Did you do anything further with this list</p> <p>22 that J.P. gave you?</p> <p>23 A No.</p> <p>24 Q You can set that one aside.</p> <p>25 I did -- I actually lied, there is one</p>	<p>183</p> <p>1 the premium will be satisfied by the transfer of</p> <p>2 the hedge fund's investment portfolios. Has any</p> <p>3 thought been given to the legal validity of such a</p> <p>4 transfer bearing in mind that these assets will</p> <p>5 then be put beyond the reach of the plaintiffs in</p> <p>6 the U.S. litigation against the funds. Obviously</p> <p>7 the last thing that you want to find is that the</p> <p>8 premium has to be returned or is set aside as some</p> <p>9 unlawful reference or similar. Obviously an issue</p> <p>10 for U.S. counsel, but just thought that I would</p> <p>11 raise it." Do you see that?</p> <p>12 A I do.</p> <p>13 Q Do you know if that was ever raised with</p> <p>14 U.S. counsel by Sentinel or by Highland?</p> <p>15 A I do not.</p> <p>16 Q Did Beecher ever discuss that issue with</p> <p>17 Highland or Sentinel?</p> <p>18 A Not to my knowledge.</p> <p>19 Q In your experience working on insurance</p> <p>20 matters have you ever seen a similar situation</p> <p>21 where all of the assets of an entity in litigation</p> <p>22 is transferred to pay for an insurance premium?</p> <p>23 A I have not.</p> <p>24 Q Now you can really set that one aside.</p> <p>25 Now, we have talked a lot about the</p>
<p>182</p> <p>1 that I told you you could set aside, there was one</p> <p>2 further thing I wanted to ask you in 127.</p> <p>3 Before I ask that I have one more question</p> <p>4 as I am thinking about unique, were they unique</p> <p>5 also in that the value of the assets would be</p> <p>6 greater than the amount of the premium?</p> <p>7 MR. WELDON: Objection.</p> <p>8 THE WITNESS: The value of the assets was</p> <p>9 unknown at the time because there was no valuation</p> <p>10 done, so there was a risk that it could be a</p> <p>11 windfall to Sentinel and there was also a risk</p> <p>12 that everything could be worthless.</p> <p>13 BY MR. BURT:</p> <p>14 Q So looking very quickly at Exhibit 127, I</p> <p>15 actually wanted to look at the first-in-time</p> <p>16 e-mail from Paul Scrivener to J.P. Sevilla and</p> <p>17 cc'ing Pete Kranz on June 2, 2017. Do you see</p> <p>18 where I am looking?</p> <p>19 A Yes.</p> <p>20 Q And we can skip down until the last figure</p> <p>21 paragraph that begins with "by the way", do you</p> <p>22 see that?</p> <p>23 A Yes.</p> <p>24 Q And here Mr. Scrivener states, "By the</p> <p>25 way, I was thinking further about the idea that</p>	<p>184</p> <p>1 Sentinel side of the policy and we saw in the</p> <p>2 policy that Mr. Dondero signed for the Highland</p> <p>3 entities. Are you aware of who the authorized</p> <p>4 representative was for the Highland entities that</p> <p>5 were insured?</p> <p>6 A I am not.</p> <p>7 Q Did that ever come up?</p> <p>8 A It did not.</p> <p>9 Q I would like to show you Tab 24.</p> <p>10 (Document marked Exhibit 132 for</p> <p>11 identification.)</p> <p>12 BY MR. BURT:</p> <p>13 Q For the record showing you what's been</p> <p>14 marked Exhibit 132 Bates label BSEN00007678181.</p> <p>15 The first page appears to be an e-mail from</p> <p>16 J.P. Sevilla to Pete Kranz dated November 20, 2017</p> <p>17 with an attachment untitled and then the second</p> <p>18 page has the title Highland CDO Opportunity Master</p> <p>19 Fund, LP, do you see that?</p> <p>20 A Yes.</p> <p>21 Q Have you seen this document before today?</p> <p>22 A I have.</p> <p>23 Q When did you first see it?</p> <p>24 A A while back, a couple years ago. I don't</p> <p>25 know.</p>

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<p>185</p> <p>1 Q So this was something that was produced</p> <p>2 out of the Beecher files and something that you</p> <p>3 are familiar with?</p> <p>4 A Correct.</p> <p>5 Q So here on November 20, 2017 it states,</p> <p>6 "To whom it may concern, this will confirm that as</p> <p>7 of today's date we have appointed Beecher Carlson</p> <p>8 as our exclusive representative with respects the</p> <p>9 following coverage, after the event insurance.</p> <p>10 This appointment of Beecher Carlson rescinds all</p> <p>11 previous appointments and the authority continued</p> <p>12 herein shall remain in full force until canceled</p> <p>13 in writing." Then authorizes Beecher Carlson "to</p> <p>14 negotiate on our behalf directly with any</p> <p>15 interested company with respect to a quote for our</p> <p>16 coverage." And at the bottom you see is listed</p> <p>17 Highland CDO Opportunity Master Fund with a number</p> <p>18 of Highland entities and Strand advisors as</p> <p>19 partners and members, do you see that?</p> <p>20 A I do.</p> <p>21 Q And do you know whose signature that is?</p> <p>22 A I do not.</p> <p>23 Q I know you have a big pile, but</p> <p>24 Exhibit 116 I want to look at so we can look at</p> <p>25 the signature to refresh what it is. These are</p>	<p>187</p> <p>1 Q Was Beecher aware or was this document</p> <p>2 provided to Beecher?</p> <p>3 A Yes.</p> <p>4 Q And it was aware then beginning in</p> <p>5 November of 2017 that it also represented the</p> <p>6 insureds, is that right?</p> <p>7 A Yes.</p> <p>8 Q So explain that to me how Beecher is the</p> <p>9 captive insurance manager could also be the sole</p> <p>10 representative of the insureds.</p> <p>11 A This is for the broker brokerage deal on</p> <p>12 the after the event insurance policy, so this is</p> <p>13 separate, separate work that was performed here</p> <p>14 from the captive management.</p> <p>15 Q So what was the broker deal? I am not</p> <p>16 familiar with that.</p> <p>17 A So it is not uncommon for Beecher Carlson</p> <p>18 to serve in a brokerage capacity as well as</p> <p>19 captive management capacity with a number of our</p> <p>20 clients. We have a brokerage arm that handles a</p> <p>21 lot of policy issuance and that's separate from</p> <p>22 the captive management.</p> <p>23 Q So here it was brokering the policy for</p> <p>24 the insureds on the ATE policy?</p> <p>25 A That's what it would look like.</p>
<p>186</p> <p>1 the Sentinel Advisory Committee discussions of</p> <p>2 Mr. Ellington and Mr. Dondero that we looked at</p> <p>3 earlier, it is Exhibit 116. The front page would</p> <p>4 be a CIMA e-mail actually.</p> <p>5 A Yes okay, yes.</p> <p>6 Q So looking at those Sentinel Advisory</p> <p>7 Committee discussions, do you see Mr. Ellington's</p> <p>8 signature there?</p> <p>9 A Yes, I do.</p> <p>10 Q And if you look at that signature and the</p> <p>11 signature that is in Exhibit 132 they appear to be</p> <p>12 the same, do they not?</p> <p>13 MR. WELDON: Objection.</p> <p>14 MR. BURT: I am not asking for expert</p> <p>15 opinion.</p> <p>16 THE WITNESS: In my opinion they look</p> <p>17 similar, but I am not an expert on signatures.</p> <p>18 BY MR. BURT:</p> <p>19 Q Right.</p> <p>20 Were you aware or -- did Beecher have any</p> <p>21 knowledge that Mr. Ellington had signed such a</p> <p>22 document at the time appointing Beecher as the</p> <p>23 representative of the insureds?</p> <p>24 A I don't know. I didn't recognize the</p> <p>25 signature, so.</p>	<p>188</p> <p>1 Q After -- beyond just brokering the policy</p> <p>2 did it do anything else as the sole</p> <p>3 representative, did Beecher Carlson do anything</p> <p>4 else as the representative?</p> <p>5 A Once the policy is issued there is no more</p> <p>6 additional work that would need to be done.</p> <p>7 Q So in terms of filing a claim on the</p> <p>8 policy, things like that, that wouldn't have been</p> <p>9 part of what Beecher Carlson was authorized to do</p> <p>10 in this document, is that right?</p> <p>11 A The policy generally defines how the claim</p> <p>12 should be filed.</p> <p>13 Q Right, I understand.</p> <p>14 But was Beecher Carlson, was it part of</p> <p>15 its responsibilities under this agreement or this</p> <p>16 confirmation that it needed to, for example,</p> <p>17 monitor the litigation and file a claim on the</p> <p>18 policy if the event arose to file a claim.</p> <p>19 A I don't know.</p> <p>20 Q Who would know that at Beecher, who is</p> <p>21 dealing with this particular aspect of the</p> <p>22 Beecher's work?</p> <p>23 A I am not sure.</p> <p>24 Q You said there was a separate brokerage</p> <p>25 arm at Beecher that handles these types of things?</p>

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<p>189</p> <p>1 A There is, and I don't know if they were 2 the ones that had put this together or who was 3 involved with it. 4 Q So it is important for us to understand if 5 Beecher did anything else beyond just brokering 6 under this agreement and as the 30(b)(6) witness 7 is that something that you could take a break and 8 call somebody or get information on, would that be 9 hard to find out? 10 A I don't know that there was any additional 11 work that was done after the policy was issued. 12 Q No, I understand. 13 And getting that confirmation is something 14 that is important for us. Is that something that 15 could easily be confirmed on a short break? 16 A I don't -- maybe. I don't know. 17 Q Maybe at our next break you can discuss 18 with counsel, we would appreciate it, we don't 19 want to hold it open for that, but if it's an easy 20 answer that would be helpful. 21 A And you are looking just to confirm 22 whether there was any additional work that was 23 done? 24 MR. WELDON: Under the broker agreement. 25 MR. BURT: Under this.</p>	<p>191</p> <p>1 coming back to that one? 2 MR. BURT: To the extent we can get those 3 answers, yes. 4 THE WITNESS: All set with the other 5 documents? 6 MR. BURT: Keep the policy handy, that is 7 a key one. 8 (Document marked Exhibit 133 for 9 identification.) 10 BY MR. BURT: 11 Q Handing you 133 Bates labeled BC 12 SEN00000614525, which is the purchase agreement. 13 Mr. Adamczak, are you familiar with this 14 document? 15 A I am. 16 Q And what is your understanding of what it 17 is? 18 A This was the document that controlled the 19 assets that were transferred as premium under the 20 ATE policy. 21 Q Looking first at the signature pages here, 22 it's the third and fourth pages, you see that 23 Mr. Dondero signed on behalf of all the Highland 24 entities, is that right? 25 A That is correct.</p>
<p>190</p> <p>1 MR. WELDON: I understand where you are. 2 MR. BURT: Perfect. 3 BY MR. BURT: 4 Q Okay, great. 5 I was just going to ask on the broker 6 agreement did J.P. or any of the other Highland 7 employees did they present this as an opportunity 8 or did they just say they want you to do this, how 9 did this come to pass? 10 A I don't remember how that came up. 11 Q Maybe if you could add that to the list of 12 how it was presented. 13 MR. WELDON: I got it. 14 BY MR. BURT: 15 Q Do you know whether any conflicts can 16 arise in this type of situation where Beecher on 17 the one hand is doing the brokerage here and on 18 the other hand is the captive insurance manager? 19 A I am not aware of any conflicts, and as I 20 explained this is not uncommon to have the same 21 entity represent them from a captive management 22 standpoint and a brokerage standpoint. 23 Q Let's look next at the purchase agreement 24 that accompanied the policy, that is Tab 30. 25 MR. WELDON: Are you done with that one or</p>	<p>192</p> <p>1 Q And that would have been consistent with 2 Beecher's understanding that at least he was a 3 part owner and controller of these entities, 4 correct? 5 A Correct. 6 Q Then looking at let's turn to Schedule A 7 of the policy, now, we had looked at the 8 Exhibit 131 where you had been provided by 9 J.P. Sevilla a list of assets that was -- had come 10 from Highland and you were unfamiliar with, do you 11 recall that? 12 A Yes. 13 Q And now we are looking here at Schedule A, 14 the actual assets that were included as part of 15 the APA. 16 What role did Beecher have in arriving at 17 or determining which assets should appear on 18 Schedule A? 19 A None. 20 Q Who made those decisions? 21 MR. WELDON: Objection. 22 BY MR. BURT: 23 Q If you know. 24 A This was provided by J.P. as part of the 25 assets that would be transferred in.</p>

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<p>193</p> <p>1 Q Do you know when he first provided that to 2 Beecher?</p> <p>3 A Sometime in -- sometime after the policy 4 was inception, so after August 1.</p> <p>5 Q You have used that -- I want to make sure 6 I am understanding insurance terminology 7 correctly. You have used the term inception for 8 the policy, does that just mean the beginning?</p> <p>9 A Yes.</p> <p>10 Q We are not talking about the movie or 11 anything.</p> <p>12 A No.</p> <p>13 Q So the beginning of the policy. So after 14 the policy is signed Beecher is provided the 15 Schedule A assets?</p> <p>16 A Correct.</p> <p>17 Q Do you recall whether the purchase 18 agreement was signed after the policy was 19 inception?</p> <p>20 A I believe it was, but I don't fully 21 recall.</p> <p>22 Q Now, J.P. provided it. Did he provide it 23 in the context of --</p> <p>24 MR. WELDON: Just for the record, I mean, 25 the purchase agreement says August 7, 2017, the</p>	<p>195</p> <p>1 understand Mr. Sevilla's hats that he was wearing, 2 was he providing the Schedule A assets to Beecher 3 as working for the insureds on that side or just 4 J.P. would send us everything?</p> <p>5 A I don't know.</p> <p>6 Q So he was just the point of contact.</p> <p>7 A He was the point of contact.</p> <p>8 Q And whether it related to Highland or 9 whether it related to Sentinel J.P. was the point 10 of contact?</p> <p>11 A He was the point of contact.</p> <p>12 Q Would that be the same for Matt DiOrio, he 13 was the point of contact whether it related to 14 Highland or Sentinel?</p> <p>15 A Correct.</p> <p>16 Q So looking first at the assets listed 17 under Highland CDO Opportunity Master Fund, LP, we 18 see at the very bottom cash is listed in the 19 amount of 7.779 million.</p> <p>20 Are you familiar with these other assets 21 that are listed?</p> <p>22 A I am.</p> <p>23 Q Now, I think you testified earlier that 24 some assets did not actually end up being 25 transferred, is that right, to Sentinel, they were</p>
<p>194</p> <p>1 policy was August 1.</p> <p>2 MR. BURT: Right, that's a fair point.</p> <p>3 The policy is August 1 and the purchase agreement 4 is dated August 7, 2017.</p> <p>5 MR. WELDON: And I think there was 6 something that this has already been addressed, 7 that the payment was due by August 30th.</p> <p>8 MR. BURT: Premium payment. That is in 9 the policy, that's right.</p> <p>10 BY MR. BURT:</p> <p>11 Q So my question is, so J.P. provided this 12 list to Beecher. Now, what I want to understand, 13 and see if you can help me, it seems like J.P. 14 wears a number of hats. We have talked about him 15 a lot today in the context of communications he 16 had on behalf of Sentinel, right, where he would 17 communicate to Beecher on Sentinel issues. And we 18 have seen him on a lot of e-mails to that extent 19 as well, is that right?</p> <p>20 A Yes. It's not uncommon for any one of our 21 captives for us to have only one contact that we 22 are dealing with at the sponsoring organization or 23 parent entity.</p> <p>24 Q No, and that's fine.</p> <p>25 And my question is, again, just trying to</p>	<p>196</p> <p>1 intended to be but weren't transferred?</p> <p>2 A No. I said the assets were not registered 3 in Sentinel's name.</p> <p>4 Q Were they registered in someone else's 5 name?</p> <p>6 A Whoever they were registered in before. 7 It wasn't like they were registered in anyone 8 else's name -- the intention was that when the 9 assets were transferred in they would be put into 10 Sentinel's name. That to my knowledge never took 11 place. Whether somebody transferred into somebody 12 else's name, I am not aware of.</p> <p>13 Q But you are aware that some assets were 14 intended to go to Sentinel but they were never 15 registered in Sentinel's name?</p> <p>16 A All of the assets were intended to go to 17 Sentinel.</p> <p>18 Q I want to make sure I am not 19 misunderstanding, are you saying also that all of 20 the assets are not registered in Sentinel's name 21 or just some of them were not registered in 22 Sentinel's name?</p> <p>23 A Some of them were not registered in 24 Sentinel's name.</p> <p>25 Q Got it, thanks. I apologize if I was slow</p>

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<p>197</p> <p>1 on the uptake there.</p> <p>2 So let's just look at some of these</p> <p>3 assets.</p> <p>4 So the first asset here is Aberdeen LN FDG</p> <p>5 LTD PFD. Do you know if that was an asset that</p> <p>6 was registered in Sentinel's name?</p> <p>7 A I don't believe it was.</p> <p>8 Q Do you know who owned it prior to</p> <p>9 Sentinel?</p> <p>10 A According to the schedule Highland CDO</p> <p>11 Opportunity Master Fund, LP.</p> <p>12 Q To the best of Beecher's knowledge if it</p> <p>13 wasn't registered in Sentinel's name Beecher's</p> <p>14 knowledge is it would still be a Highland CDO</p> <p>15 opportunity?</p> <p>16 A That is correct.</p> <p>17 Q How about the next two Southforks,</p> <p>18 Southforks CLO Ltd PFD 144A and then the Southfork</p> <p>19 underneath that. Were those registered in</p> <p>20 Sentinel's name?</p> <p>21 A I believe they were.</p> <p>22 Q Are we going through these asset by asset?</p> <p>23 A Yes.</p> <p>24 Q This is actually a really important piece</p> <p>25 for UBS to understand where these assets are so,</p>	<p>199</p> <p>1 Q And --</p> <p>2 A The CIBC investment custody account. So</p> <p>3 anything that was in that custody account of the</p> <p>4 assets that were transferred in that made their</p> <p>5 way into Sentinel would be in that custody</p> <p>6 account. They couldn't hold anything in that</p> <p>7 custody account that was not in Sentinel's name.</p> <p>8 MR. BURT: Maybe can we go off the record</p> <p>9 for just a second?</p> <p>10 THE VIDEOGRAPHER: We are going off the</p> <p>11 record, the time is 2:44.</p> <p>12 (Recess taken.)</p> <p>13 THE VIDEOGRAPHER: We are going on the</p> <p>14 record, the time is 2:57.</p> <p>15 BY MR. BURT:</p> <p>16 Q So, Mr. Adamczak, I want to go back, I</p> <p>17 believe during the break you were able to run down</p> <p>18 some answers on Exhibit 132, which was the</p> <p>19 document appointing Beecher Carlson as the</p> <p>20 authorized representative of the insureds.</p> <p>21 So with respect to the services that were</p> <p>22 provided under the agreement, this authorization,</p> <p>23 what were you able to find?</p> <p>24 A There were no additional services, it was</p> <p>25 just the work that was initially done on the ATE</p>
<p>198</p> <p>1 yes, we do need to. And if there is some you</p> <p>2 don't know and need to check that's fine, we can</p> <p>3 take a break and have you check.</p> <p>4 MR. WELDON: Is there a list that's</p> <p>5 provided relative to what assets have been</p> <p>6 registered, is that what you are asking?</p> <p>7 MR. BURT: We want to understand which</p> <p>8 assets were registered at Sentinel and which</p> <p>9 assets were not registered in Sentinel's name.</p> <p>10 That is a really important piece for us.</p> <p>11 MR. WELDON: I understand the importance</p> <p>12 of it.</p> <p>13 My issue more is are you saying that you</p> <p>14 don't have a list in your document production that</p> <p>15 identifies the ones that were listed ultimately in</p> <p>16 the name of the --</p> <p>17 MR. BURT: Katie can correct me, but I</p> <p>18 don't think that was something that was produced,</p> <p>19 no.</p> <p>20 THE WITNESS: I am pretty sure it existed.</p> <p>21 BY MR. BURT:</p> <p>22 Q If that's a document that Beecher has --</p> <p>23 A It was probably an Excel schedule and it</p> <p>24 would also be identified by looking at what's held</p> <p>25 in the custody account.</p>	<p>200</p> <p>1 policy.</p> <p>2 Q So in brokering the ATE policy?</p> <p>3 A Correct.</p> <p>4 Q That was it, nothing further.</p> <p>5 A Correct.</p> <p>6 Q So the \$50,000 fee, was that a one-time</p> <p>7 payment to Beecher Carlson?</p> <p>8 A One-time.</p> <p>9 Q For Beecher, just so I am clear, what did</p> <p>10 -- what does brokering the agreement mean?</p> <p>11 A It's part of the process of pulling the</p> <p>12 policy together, finalizing it, I guess. I am not</p> <p>13 familiar with that side of the operations.</p> <p>14 Q I guess just lining up times here, the</p> <p>15 policies dated retroactive to August 1 as we see</p> <p>16 and this is dated November 20, 2017.</p> <p>17 A Yes.</p> <p>18 Q So how does that line up, can you just</p> <p>19 explain that?</p> <p>20 A I think there was a delay in filing this</p> <p>21 document. I think it was something that came in</p> <p>22 after the fact to complete the files.</p> <p>23 Q Did Beecher understand at the time the</p> <p>24 policy was being put together that it was</p> <p>25 brokering for the insureds?</p>

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<p>201</p> <p>1 A Yes.</p> <p>2 Q And so you can't give me any details about</p> <p>3 the work that was -- that Beecher did as far as</p> <p>4 brokering for the insureds?</p> <p>5 A I wasn't a part of that work so I don't</p> <p>6 know how much or what specifically was done.</p> <p>7 Q Going back to -- we were looking at</p> <p>8 Schedule A, I want to ask -- we were going list by</p> <p>9 list, I want to ask you a few high-level questions</p> <p>10 just to confirm a few points.</p> <p>11 So the assets that were not registered in</p> <p>12 Sentinel's name to Beecher's knowledge remained in</p> <p>13 the accounts under the entity listed on Schedule</p> <p>14 A, so, for example, the Aberdeen in the first</p> <p>15 line, not registered in Sentinel's name, would</p> <p>16 have remained at the Highland CDO Opportunity</p> <p>17 Master Fund, LP account, is that right?</p> <p>18 A I don't know, but that's my understanding.</p> <p>19 Q Do you know what bank Highland CDO</p> <p>20 Opportunity Master Fund, LP was using?</p> <p>21 A I don't necessarily know that there is a</p> <p>22 custody account that these investments would sit</p> <p>23 in.</p> <p>24 Q Where would they be located?</p> <p>25 A I don't know.</p>	<p>203</p> <p>1 records, the interim financial statement records.</p> <p>2 Q So the interim financial statement records</p> <p>3 of Beecher would show which of these assets ended</p> <p>4 up at a Sentinel account at CIBC?</p> <p>5 A Correct.</p> <p>6 Q And the CIBC account, we talked about the</p> <p>7 checking account. Would this be the other CIBC</p> <p>8 account?</p> <p>9 A This is the investment custody account.</p> <p>10 Q All of the assets that ended up being</p> <p>11 registered to Sentinel went to that CIBC</p> <p>12 investment custody account?</p> <p>13 A Correct.</p> <p>14 Q And so if we looked at that and we did not</p> <p>15 see one of the Schedule A assets on that account</p> <p>16 it would -- we can conclude that that was not</p> <p>17 successfully registered in Sentinel's name, is</p> <p>18 that right?</p> <p>19 MR. WELDON: Objection.</p> <p>20 THE WITNESS: Either it wasn't registered</p> <p>21 in Sentinel's name or it has been since disposed</p> <p>22 of either through bankruptcy proceedings or</p> <p>23 whatever liquidation or whatever would have</p> <p>24 happened with the asset.</p> <p>25</p>
<p>202</p> <p>1 Q Would Beecher have access to that</p> <p>2 information?</p> <p>3 A No.</p> <p>4 MR. WELDON: Just so we are clear, you are</p> <p>5 talking about accounts where they are coming from?</p> <p>6 MR. BURT: Where they are coming from.</p> <p>7 MR. WELDON: We know where they went, they</p> <p>8 went with the account they were in.</p> <p>9 BY MR. BURT:</p> <p>10 Q If they were not sent over in Sentinel's</p> <p>11 names, the originating account, Beecher does not</p> <p>12 have access to that information?</p> <p>13 A No.</p> <p>14 Q I believe that Beecher has financial</p> <p>15 statements for Sentinel that would show</p> <p>16 definitively which accounts or which of these</p> <p>17 assets were transferred and registered in</p> <p>18 Sentinel's name, is that right?</p> <p>19 A We wanted to keep track of each investment</p> <p>20 and in particular which ones needed to have the</p> <p>21 re-registration done.</p> <p>22 Q And would that be reflected in the audited</p> <p>23 financial statements, for example?</p> <p>24 A The audited financial statements, no. But</p> <p>25 it would have been in our financial statement</p>	<p>204</p> <p>1 BY MR. BURT:</p> <p>2 Q Well, right. But I am talking just about</p> <p>3 the Sentinel record because Sentinel hasn't gone</p> <p>4 into bankruptcy or liquidation.</p> <p>5 A I am talking about the investments, each</p> <p>6 particular investment though.</p> <p>7 Q So it's possible that it could have been</p> <p>8 disposed of another way through bankruptcy of the</p> <p>9 investment vehicle or the CLO that it was in?</p> <p>10 A Yes.</p> <p>11 Q Let's actually go to this. I actually do</p> <p>12 want to ask about that. Keep that Schedule A</p> <p>13 handy. I want to look at another financial</p> <p>14 statement that's in another exhibit.</p> <p>15 (Document marked Exhibit 134 for</p> <p>16 identification.)</p> <p>17 BY MR. BURT:</p> <p>18 Q Before we look at that, let me -- you can</p> <p>19 set that down for just a second.</p> <p>20 Does Sentinel receive distributions from</p> <p>21 assets that were not re-registered in Sentinel's</p> <p>22 name?</p> <p>23 A Yes.</p> <p>24 Q How does Sentinel get those distributions?</p> <p>25 A I am not 100% sure on the process, but it</p>

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<p>205</p> <p>1 involves a letter that the directors send to State</p> <p>2 Street or whoever the custodian was that was</p> <p>3 holding those assets or funds.</p> <p>4 Q And that letter says essentially send the</p> <p>5 distributions to Sentinel?</p> <p>6 A I believe, yes.</p> <p>7 Q Even though they are not registered in</p> <p>8 Sentinel's name?</p> <p>9 A Correct.</p> <p>10 If they were registered in Sentinel's name</p> <p>11 the funds would flow automatically.</p> <p>12 Q Do you know if they are first deposited</p> <p>13 into the account of, for example, Highland CDO</p> <p>14 Opportunity Fund?</p> <p>15 A I do not know.</p> <p>16 Q Do you know what the originating bank of</p> <p>17 those transfers is that transfers over?</p> <p>18 A I do not know.</p> <p>19 Q And so the director's -- again, I am just</p> <p>20 trying to understand, the directors contact State</p> <p>21 Street or another entity financial entity to tell</p> <p>22 them these distributions need to come to us?</p> <p>23 A I believe so.</p> <p>24 Q And are those distributions ongoing?</p> <p>25 A With respect to the CLO investments they</p>	<p>207</p> <p>1 with the trustee or wherever it is and Sentinel</p> <p>2 has to go out and grab that through this process.</p> <p>3 Q Of sending a letter?</p> <p>4 A Of sending a letter signed by somebody on</p> <p>5 behalf of Sentinel. I am not part of that</p> <p>6 process.</p> <p>7 Q Does Beecher receive copies of those</p> <p>8 letters?</p> <p>9 A I have seen copies of it in the past.</p> <p>10 Q And the new directors that were appointed</p> <p>11 in the June, 2021 timeframe are they continuing to</p> <p>12 do that, send those letters to give those</p> <p>13 distributions?</p> <p>14 A That has not been done since before Matt</p> <p>15 resigned.</p> <p>16 Q So to your knowledge -- Beecher's</p> <p>17 knowledge CLO distributions that were not</p> <p>18 registered in Sentinel's name Sentinel has not</p> <p>19 received distributions since Matt resigned?</p> <p>20 A That is correct.</p> <p>21 Q So all of that money is sitting with the</p> <p>22 CLO trustee or whomever?</p> <p>23 A Correct.</p> <p>24 Q And if we were to look at a list of the</p> <p>25 CLOs would Beecher know who the trustee was or</p>
<p>206</p> <p>1 will typically pay out a distribution quarterly.</p> <p>2 Q And when is the next distribution set to</p> <p>3 hit?</p> <p>4 MR. WELDON: You are talking about the</p> <p>5 ones outside or the ones inside Sentinel?</p> <p>6 MR. BURT: The ones that are not</p> <p>7 registered in Sentinel's name.</p> <p>8 MR. WELDON: Do you understand the</p> <p>9 question?</p> <p>10 THE WITNESS: I do.</p> <p>11 So if we are talking just the CLOs the</p> <p>12 next distribution would be May 1.</p> <p>13 BY MR. BURT:</p> <p>14 Q Now, regarding the CLOs in particular are</p> <p>15 there certain CLOs that were registered in</p> <p>16 Sentinel's name and others that were not?</p> <p>17 A That is true.</p> <p>18 Q But all of the CLOs will be distributing</p> <p>19 on May 1?</p> <p>20 A Typically the distributions occur on</p> <p>21 May 1.</p> <p>22 Q And so for those -- even for those that</p> <p>23 are not registered in Sentinel's name Sentinel</p> <p>24 will get a distribution on May 1?</p> <p>25 A It doesn't come to Sentinel, it sits out</p>	<p>208</p> <p>1 what account was used?</p> <p>2 A No.</p> <p>3 Q That is beyond Beecher's knowledge?</p> <p>4 A That is correct.</p> <p>5 Q Do you know who would know that?</p> <p>6 A I do not know.</p> <p>7 Q Would the directors know that?</p> <p>8 A They may.</p> <p>9 Q I may have some follow-up, we are checking</p> <p>10 with our team on some of that information to see</p> <p>11 if we have some of those financial documents, I</p> <p>12 may have follow-up on that, but let's look in the</p> <p>13 meantime at the exhibit that I gave you, 134.</p> <p>14 Now, this is -- at the top it appears that</p> <p>15 Gareth Pereira sends to Clayton Price and Casey</p> <p>16 McDonald a bunch of financial documents, and this</p> <p>17 takes place in June of 2021 I think around the</p> <p>18 time of those new directors coming on. Does that</p> <p>19 sound right?</p> <p>20 A Okay, sorry.</p> <p>21 Q No, that's fine.</p> <p>22 A What was the question?</p> <p>23 Q So the question was to confirm that these</p> <p>24 financial documents were provided to the new</p> <p>25 directors last June, 2021.</p>

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<p>209</p> <p>1 A Correct.</p> <p>2 Q And was that part of their onboarding</p> <p>3 process to help them come up to speed?</p> <p>4 A I believe so.</p> <p>5 Q If you look at the management discussion</p> <p>6 and analysis, it's Page 4, I believe, this is part</p> <p>7 of a packet you sent to Mr. DiOrio if you look at</p> <p>8 the previous page on December 10, 2020.</p> <p>9 A Yes.</p> <p>10 Q So in this management an analysis states</p> <p>11 that overall for the 11 months ending November 30,</p> <p>12 2020 Sentinel recognized net income of 169,000,</p> <p>13 11 months ended November 30, 2019 Sentinel</p> <p>14 recognized net income of 3.2 million. Capital and</p> <p>15 surplus November 30, 2020, 2019 was 118.7 million</p> <p>16 and 77.2 million respectively. The increase in</p> <p>17 surplus is a result of the SeaOne valuation that</p> <p>18 was recorded in the books in 2019, although pushed</p> <p>19 back to 2018 as an audit restatement. Do you see</p> <p>20 that?</p> <p>21 A I do.</p> <p>22 Q You are familiar with these financial</p> <p>23 statements, right?</p> <p>24 A Correct.</p> <p>25 Q This is really the core of what Beecher</p>	<p>211</p> <p>1 A Correct.</p> <p>2 Q Do you know who made the decision to pay</p> <p>3 that dividend?</p> <p>4 A The directors of Sentinel.</p> <p>5 Q Were there outside directors involved in</p> <p>6 that decision at the time?</p> <p>7 A All of the directors resolved to pay the</p> <p>8 dividend.</p> <p>9 Q Do you know why?</p> <p>10 A I don't know why.</p> <p>11 Q Then looking back at the balance sheet the</p> <p>12 investments fair market value go from 36 million</p> <p>13 to 84.5 million in November, 2020. Was that all a</p> <p>14 result of SeaOne valuation?</p> <p>15 A Correct.</p> <p>16 Q So SeaOne increased almost by 50 million</p> <p>17 in value?</p> <p>18 A That's correct.</p> <p>19 Q And who provided -- was that Valuation</p> <p>20 Resource Group or Research Group who did that?</p> <p>21 A Valuation Research Corp., yes.</p> <p>22 Q And did they do that valuation under</p> <p>23 Beecher's direction?</p> <p>24 A It was under the direction of the</p> <p>25 directors.</p>
<p>210</p> <p>1 does for Sentinel?</p> <p>2 A Correct.</p> <p>3 Q So looking at the balance sheet here and</p> <p>4 comparing 2019 to 2020, do you see why cash</p> <p>5 decreased by 7 million year over year?</p> <p>6 A There would have been a dividend payment</p> <p>7 of 6.4 million.</p> <p>8 Q And where do we see that in the financial</p> <p>9 statements?</p> <p>10 A I am seeing that on the cashflow Page 3 of</p> <p>11 the document.</p> <p>12 Q Got it.</p> <p>13 And that's listed under cashflow from</p> <p>14 financing activities dividend paid 6.4 million and</p> <p>15 it shows up as a negative on the statement of</p> <p>16 cashflows?</p> <p>17 A Correct.</p> <p>18 Q What was the nature of that dividend?</p> <p>19 A Dividend up to the parent company of</p> <p>20 Sentinel.</p> <p>21 Q Was it Mainspring and Montage that it was</p> <p>22 paid to on the org chart?</p> <p>23 A I believe so.</p> <p>24 Q Ultimately owned by Mr. Dondero and</p> <p>25 Ellington, correct?</p>	<p>212</p> <p>1 Q Do you know the basis of increasing the</p> <p>2 value so significantly in SeaOne over that year?</p> <p>3 A The investment had been carried at</p> <p>4 historical cost and the appreciation over that</p> <p>5 time resulted in the valuation. This was the</p> <p>6 first valuation that was done on it.</p> <p>7 Q Is it true that SeaOne is an ongoing</p> <p>8 concern with active business going and growing?</p> <p>9 A That's my understanding.</p> <p>10 Q Based on the valuation?</p> <p>11 A Yes.</p> <p>12 Q Once the dividend is paid does Beecher</p> <p>13 track what happens to that money at the next level</p> <p>14 after it gets up to the first level?</p> <p>15 A No.</p> <p>16 Q Under shareholders equity under retained</p> <p>17 earnings increases by about 50 million, is that</p> <p>18 also to account for the SeaOne valuation?</p> <p>19 A Yes.</p> <p>20 Q So the end -- looking at the statement of</p> <p>21 cashflows, the end of 2020 or November, 2020, cash</p> <p>22 on hand is \$27,076,000?</p> <p>23 A Correct.</p> <p>24 Q Do you know what the current state of cash</p> <p>25 is at Sentinel?</p>

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<p>213</p> <p>1 A I want to say it is still around 30 2 million. 3 Q If we look into the supplemental 4 schedules, so just flip forward a few pages, and I 5 want to look actually at Page 9 of that, you will 6 have to flip the exhibit, it is investment holding 7 statement of Sentinel Reinsurance. And this goes 8 back, I think, to some of the questions we have 9 about what does Sentinel actually hold. 10 I have a number of questions about these 11 investments, the first one being if you know when 12 these were actually transferred to Sentinel and if 13 they were registered in Sentinel's name. For 14 example, on the first one, the Aberdeen LN Funding 15 Ltd. PFD, do you know when that was transferred to 16 Sentinel? 17 A There is a column referencing acquisition 18 date, that would have been the date that Sentinel 19 acquired those assets, so everything reflecting 20 8/11/2017 was part of the ATE premium that was 21 paid in. 22 Q Got it, okay. 23 So the next three lines then are all -- it 24 is a 2014 acquisition date, a 2013, and a 2014 for 25 Eastland, Greyson and Greenbriar CLO interests, is</p>	<p>215</p> <p>1 had from the beginning and when they were being 2 registered into Sentinel's name two of the 3 original share certificates were lost so were 4 unable to be re-registered and somebody from 5 Highland needed to assist with that process and it 6 hasn't happened yet. 7 Q So I guess that was my next question. 8 Would those -- did those transfers 9 originate from Highland entities? 10 A I don't know where they came from. 11 Q But you said someone from Highland would 12 have to re-register? 13 A Someone from Highland needed to help with 14 the process because I believe they were 15 investments that they were familiar with and would 16 have the means to be able to obtain original 17 certificates so that they could register them in 18 Sentinel's name. 19 Q The information about where those -- the 20 2013 and the three 2014 transfers where those 21 originated, would Beecher have that information 22 somewhere or is that outside Beecher's knowledge? 23 A I believe that is outside Beecher's 24 knowledge. 25 Q If you could just confirm on a break the</p>
<p>214</p> <p>1 that right? 2 A Correct. 3 Q Were those successfully transferred and 4 registered in Sentinel's name? 5 A Those are -- I believe two of those are in 6 Sentinel's name and one is not. 7 Q Do you know which two are? 8 A I don't know. There is another one down 9 below with a 1/7/2014 date. Two of those 10 investments are in Sentinel's name and two of them 11 are not. 12 Q Is that something that you could easily 13 confirm on a break? 14 A What is it you need me to confirm? 15 Q Which ones are registered in Sentinel's 16 names and which aren't. 17 A I can. 18 Q That would be great. 19 The Valhalla CLO Limited at the bottom, 20 was that registered to Sentinel successfully? 21 A I don't believe so. 22 Q Now, the pre-ATE transfers, the 2014s and 23 the 20 -- the one 2013, do you know what the 24 circumstances of those transfers were? 25 A Yes. Those were investments that Sentinel</p>	<p>216</p> <p>1 two that were registered and the two that were 2 not. 3 A Yes. 4 Q That would be great. 5 So the Aberdeen I think we confirmed was 6 not registered in Sentinel's name, and then 7 looking at the ATE transfers the next one is the 8 Greenbriar CLO, again, 8/11/2017, was that 9 successfully registered in Sentinel's name? 10 A I don't believe so. 11 Q How about the two Southforks? 12 A I believe those were. 13 Q Those were. 14 And then the Stratford CLO -- no, sorry, 15 strike that, that was 2014. 16 Okay, those were the CLOs. 17 Looking at the Governance Re limited 18 promissory note, second from the bottom, does 19 Beecher have any knowledge about whether and if 20 that note can be paid on? 21 A It is our understanding that it can be 22 paid. 23 Q Has yet to be paid on? 24 A It has not been paid off, but our 25 understanding is that it is collectable.</p>

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<p>217</p> <p>1 Q You can set that document aside.</p> <p>2 Give me just one moment. This is a small</p> <p>3 exhibit here.</p> <p>4 (Document marked Exhibit 135 for</p> <p>5 identification.)</p> <p>6 BY MR. BURT:</p> <p>7 Q This is Exhibit 135 Bates BC</p> <p>8 SEN00000120230. This is just it appears,</p> <p>9 Mr. Adamczak, a back and forth that you had with</p> <p>10 Allison Borman at Crowe.</p> <p>11 A Uh-huh.</p> <p>12 Q Do you see that?</p> <p>13 A Yes.</p> <p>14 Q From June of 2018, so after the ATE. And</p> <p>15 the subject is the Sentinel 12/31 BRC valuation</p> <p>16 source docs. And Allison writes to you and</p> <p>17 Ms. Devins, "I just spoke with Lisa and she</p> <p>18 mentioned you'd discussed some of our open items,</p> <p>19 one of which I wanted to follow-up on. We do</p> <p>20 still need the source docs of information sent to</p> <p>21 BRC to value the CLOs as of 12/31."</p> <p>22 Let me stop there first of all. Who is</p> <p>23 Lisa?</p> <p>24 A Lisa worked for the audit firm of</p> <p>25 Sentinel, Crowe.</p>	<p>219</p> <p>1 monthly reports, unless there was anything else</p> <p>2 submitted to VRC which we don't already have."</p> <p>3 You mentioned State Street before and I</p> <p>4 just want to get your testimony about what your</p> <p>5 understanding of State Street is.</p> <p>6 MR. WELDON: Object.</p> <p>7 You mean in reference to --</p> <p>8 MR. BURT: In reference to the role it was</p> <p>9 playing here with respect to the CLOs.</p> <p>10 THE WITNESS: I don't know if it is the</p> <p>11 same reference to State Street, but State Street,</p> <p>12 I believe, had some custodial relationship with</p> <p>13 the CLOs.</p> <p>14 BY MR. BURT:</p> <p>15 Q With all of them?</p> <p>16 A I don't know.</p> <p>17 Q You can set that aside.</p> <p>18 Now, the policy -- after the policy was</p> <p>19 enacted there were two endorsements to the policy</p> <p>20 that were made, is that right?</p> <p>21 A That is correct.</p> <p>22 Q What is your understanding of the reasons</p> <p>23 for the endorsements?</p> <p>24 A The first was to adjust the premium to</p> <p>25 reflect the fair value of assets received.</p>
<p>218</p> <p>1 Q So she was a colleague of Allison's?</p> <p>2 A Correct.</p> <p>3 Q And this open item was to get the source</p> <p>4 docs that you all had sent to BRC as part of the</p> <p>5 CLO valuation, right?</p> <p>6 A Correct.</p> <p>7 Q Do you recall what source document she was</p> <p>8 referring to?</p> <p>9 A There were some reports detailing the</p> <p>10 underlying loans that were part of the CLOs, so</p> <p>11 any details on outstanding balances, defaulted</p> <p>12 balances, anything that was maybe payment</p> <p>13 schedules, whatever they needed to support their</p> <p>14 valuation.</p> <p>15 Q And when did VRC perform the valuation of</p> <p>16 the CLOs?</p> <p>17 A After December 31, 2017, that was for the</p> <p>18 12/31 valuations.</p> <p>19 Q Do you recall when that valuation came in,</p> <p>20 was it springtime, 2018?</p> <p>21 A It was sometime between spring to -- yes,</p> <p>22 sometime in the spring.</p> <p>23 Q And she then says in the next line, "When</p> <p>24 we spoke yesterday I think that the only support</p> <p>25 pieces needed for this were the State Street 12/31</p>	<p>220</p> <p>1 And the second was to adjust the limits in</p> <p>2 premium to segregate the risk mitigation fee that</p> <p>3 was funded, pre-funded.</p> <p>4 Q Why was it necessary to adjust the</p> <p>5 premium?</p> <p>6 A For the fair value of the assets?</p> <p>7 Q Right. Endorsement number one.</p> <p>8 A That was a suggestion by the auditors.</p> <p>9 Q Did they provide a rationale for that</p> <p>10 suggestion?</p> <p>11 A They indicated that without adjusting the</p> <p>12 premium to match it would require additional</p> <p>13 disclosures in the audited financial statements.</p> <p>14 Q And was that a problem to provide</p> <p>15 additional disclosures?</p> <p>16 A It was going to be time consuming and take</p> <p>17 away from the content of the financial statements.</p> <p>18 Q So the auditor had a suggestion to do</p> <p>19 that. Did they provide that suggestion to you?</p> <p>20 A They provided it to me. We had a</p> <p>21 discussion with the auditors and the directors and</p> <p>22 it was ultimately decided to amend the policy to</p> <p>23 reflect the actual fair value of the assets</p> <p>24 received.</p> <p>25 Q Which directors were involved in that?</p>

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<p>221</p> <p>1 A This was the two independent directors.</p> <p>2 This is prior to Matt DiOrto.</p> <p>3 Q Is this something that you have done</p> <p>4 before on other policies, change the premium to</p> <p>5 reflect assets transferred?</p> <p>6 A This is the first situation like this that</p> <p>7 we have seen where there were assets that were</p> <p>8 taken in as opposed to cash.</p> <p>9 Q And have you ever seen anything like it</p> <p>10 since?</p> <p>11 A I have not.</p> <p>12 Q I actually -- we have been talking about</p> <p>13 all sorts of investment vehicles. Was it</p> <p>14 difficult to account for these and keep track of</p> <p>15 them and figure out what best to do for accounting</p> <p>16 for them and how they affected everything?</p> <p>17 A That is why we chose to hire the</p> <p>18 independent valuation consultants to help</p> <p>19 determine and value.</p> <p>20 (Document marked Exhibit 136 for</p> <p>21 identification.)</p> <p>22 BY MR. BURT:</p> <p>23 Q We only have one copy of the cover sheet</p> <p>24 that produced as native, this is the same</p> <p>25 document. That will be our official copy.</p>	<p>223</p> <p>1 recall this sheet.</p> <p>2 A Okay.</p> <p>3 Q Do you recall this sheet?</p> <p>4 A I don't.</p> <p>5 Q Do you have any reason to dispute you did</p> <p>6 not create it?</p> <p>7 A No.</p> <p>8 Q Looking at -- so it appears here listed as</p> <p>9 a number of Beecher clients and the reviewer and</p> <p>10 responsibility with various information, due</p> <p>11 dates, and then comments on the last column.</p> <p>12 A Sure.</p> <p>13 Q Right?</p> <p>14 So looking at Sentinel Reinsurance Limited</p> <p>15 the reviewer is listed as you. Do you know what</p> <p>16 reviewer means in this context?</p> <p>17 A The person responsible for reviewing the</p> <p>18 financial statements.</p> <p>19 Q And then responsibilities listed is Alli?</p> <p>20 A That would be the person preparing</p> <p>21 financial statements.</p> <p>22 Q And in the comments to Sentinel it states,</p> <p>23 "Can't really do financials, lots of crazy</p> <p>24 investments and special project, tons of follow-up</p> <p>25 and when they need something it's needed quickly."</p>
<p>222</p> <p>1 Go ahead and look at it, please.</p> <p>2 MR. WELDON: Do you have it?</p> <p>3 MR. BURT: I have it.</p> <p>4 BY MR. BURT:</p> <p>5 Q Go ahead, take your time and take a look</p> <p>6 at it.</p> <p>7 Showing you Exhibit 136, there should be a</p> <p>8 sheet that shows an Excel sheet and then some</p> <p>9 metadata off to the side about when it was created</p> <p>10 and then there should be a clean copy of the Excel</p> <p>11 sheet which is clearer. Is that included there?</p> <p>12 A This?</p> <p>13 Q Yes.</p> <p>14 That's the sheet that has on the right</p> <p>15 side that's from the document metadata that shows</p> <p>16 the creator, the author, which is listed as you,</p> <p>17 and then the date, the file date 12/5/2017, and a</p> <p>18 time as well, do you see that?</p> <p>19 A Sure.</p> <p>20 Q And then the Excel sheet is just a clean</p> <p>21 copy of what is -- so it is easier to read. But</p> <p>22 it is the same sheet.</p> <p>23 So this appears to be based on the</p> <p>24 metadata a sheet that you created on December 5,</p> <p>25 2017. Take a look at that and let me know if you</p>	<p>224</p> <p>1 Do you recall that at the time?</p> <p>2 A That sounds like something I would put,</p> <p>3 yes.</p> <p>4 Q And why would you have put that regarding</p> <p>5 Sentinel's investments?</p> <p>6 A At the time this is prior to having any of</p> <p>7 the valuations so we were still figuring out how</p> <p>8 to handle those investments.</p> <p>9 Q And you called them crazy investments.</p> <p>10 Were they new types of investments?</p> <p>11 MR. WELDON: Objection.</p> <p>12 THE WITNESS: Out of the traditional</p> <p>13 investment portfolios of our captives.</p> <p>14 BY MR. BURT:</p> <p>15 Q Are all of these listed here are they</p> <p>16 captive insurance companies?</p> <p>17 A I believe so.</p> <p>18 Q You had one other Caymans entity, BHC-LTC</p> <p>19 Insurance Limited, and it's -- you state there it</p> <p>20 is a standard normal account. So that was just a</p> <p>21 straightforward one?</p> <p>22 A Correct.</p> <p>23 Q No real comparison to what Sentinel is</p> <p>24 doing?</p> <p>25 A Correct.</p>

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<p>225</p> <p>1 Q When the valuations took place did that</p> <p>2 help bring things somewhat in order?</p> <p>3 A Yes.</p> <p>4 Q As far as putting the financials together?</p> <p>5 A Yes.</p> <p>6 Q Valuation Research Group, Corp., are they</p> <p>7 completely independent from Sentinel and Highland?</p> <p>8 A Yes.</p> <p>9 Q And is it correct that Beecher hired them?</p> <p>10 MR. WELDON: Objection.</p> <p>11 THE WITNESS: Sentinel hired them.</p> <p>12 BY MR. BURT:</p> <p>13 Q Sentinel hired them on Beecher's</p> <p>14 recommendation?</p> <p>15 MR. WELDON: Objection.</p> <p>16 THE WITNESS: Correct.</p> <p>17 (Document marked Exhibit 137 for</p> <p>18 identification.)</p> <p>19 BY MR. BURT:</p> <p>20 Q Going back to the endorsements, and we can</p> <p>21 mark this as our next exhibit, showing you</p> <p>22 Exhibit 137 Bates labeled BC SEN000707455, if you</p> <p>23 are ready, Mr. Adamczak, I can direct you to the</p> <p>24 e-mail.</p> <p>25 A Sure.</p>	<p>227</p> <p>1 recognized. What is the gain that you are</p> <p>2 referring to?</p> <p>3 A I believe on the initial recording of the</p> <p>4 policy the premium was assumed to be the stated</p> <p>5 25 million so that's what we recorded as premium</p> <p>6 collected, and should the investments come in</p> <p>7 lower we would have had a loss, should they come</p> <p>8 in higher we would have had a gain, so that was</p> <p>9 just the recording of the fair value of the</p> <p>10 assets.</p> <p>11 Q Got it, okay.</p> <p>12 In the balance sheet that shows up as an</p> <p>13 asset.</p> <p>14 Let's say that 25 million of cash had been</p> <p>15 paid for the premium and it was a \$25 million</p> <p>16 policy and it was paid for in cash, there would be</p> <p>17 no need to adjust later on the accounting for that</p> <p>18 premium, right?</p> <p>19 A Correct.</p> <p>20 Q So the need to adjust in the financial</p> <p>21 statements comes from the fact that a bunch of</p> <p>22 securities had been transferred of unknown value?</p> <p>23 A Correct.</p> <p>24 Q Was there a way to account for them other</p> <p>25 than as premium as just somehow another gain to</p>
<p>226</p> <p>1 Q It is the first-in-time e-mail from you</p> <p>2 actually, and I want to just drill down on this,</p> <p>3 the reasons for Endorsement No. 1. So you write</p> <p>4 to J.P. and Matt, cc'ing Alli Devins on June 5,</p> <p>5 2018, "I just spoke with Lisa, senior manager at</p> <p>6 Crowe, regarding the Sentinel audit and the one</p> <p>7 particular area that is causing them issues, it</p> <p>8 relates to the gain that we have recognized on the</p> <p>9 transfer of securities into Sentinel as premium."</p> <p>10 So I want to stop there and really like</p> <p>11 get the benefit of your knowledge about how this</p> <p>12 all works.</p> <p>13 So when those securities are transferred</p> <p>14 in to Sentinel how are they accounted for?</p> <p>15 A We had VRC prepare valuations on each of</p> <p>16 the securities that they could and those</p> <p>17 valuations were used in the financial statements.</p> <p>18 Q And were they listed as assets then?</p> <p>19 A They were listed as assets.</p> <p>20 Q Do you know when those VRC valuations were</p> <p>21 done?</p> <p>22 A They were -- they would have been done</p> <p>23 sometime at or around year-end and after year-end</p> <p>24 for the 12/31 valuations.</p> <p>25 Q And you mention a gain that had been</p>	<p>228</p> <p>1 Sentinel?</p> <p>2 A That was how we initially recorded them</p> <p>3 and it was at the suggestion of the auditors that</p> <p>4 be reflected as premium.</p> <p>5 Q And where did you originally record them,</p> <p>6 where in the financial statements?</p> <p>7 A As an investment gain.</p> <p>8 Q Got it, okay. All right.</p> <p>9 So going back to this e-mail, you then</p> <p>10 state, "The value of securities we have</p> <p>11 transferred in amounted to just over 40 million as</p> <p>12 valued by VRC on CLOs and other sources." So that</p> <p>13 appears that VRC had said, okay, these investments</p> <p>14 are worth \$40 million, around there, is that</p> <p>15 right?</p> <p>16 A At the time, that's correct.</p> <p>17 Q And then you state, "The problem is that</p> <p>18 the premium is only 25 million creating a gain on</p> <p>19 the transaction."</p> <p>20 You have used gain twice and I guess I</p> <p>21 want to understand what you meant by that. So any</p> <p>22 payment of premium would be a gain, wouldn't it,</p> <p>23 like that 25 million in cash to pay a 25 million</p> <p>24 premium, that would be a gain to the insurer that</p> <p>25 would be listed as a new asset, a cash asset?</p>

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<p>229</p> <p>1 A Not true.</p> <p>2 Q It is not, okay. How is that wrong?</p> <p>3 A So there is -- with the recording of a</p> <p>4 premium on a policy you are also going to have an</p> <p>5 offsetting loss to go along with it, and that loss</p> <p>6 is reflective in how the actuarial analysis plays</p> <p>7 out.</p> <p>8 Q So the insurance company on its financials</p> <p>9 records a gain in the payment in and a loss for</p> <p>10 the risk that's been taken on?</p> <p>11 A Correct.</p> <p>12 Q So it's pre-booking the risk, in other</p> <p>13 words, for the potential loss?</p> <p>14 A Yes.</p> <p>15 Q Did that 40 million valuation was that</p> <p>16 just the CLOs and other sources or did it include</p> <p>17 the cash that was also transferred in?</p> <p>18 A The 40 million would have reflected at</p> <p>19 that time the net assets that were received.</p> <p>20 Q Inclusive of cash?</p> <p>21 A Inclusive of cash.</p> <p>22 Q So the gain that you are referring to</p> <p>23 here, the problem is that the premium was only</p> <p>24 25 million creating a gain. You are referring to</p> <p>25 there would have been no offset for that, like</p>	<p>231</p> <p>1 both for Highland and for --</p> <p>2 MR. WELDON: Objection.</p> <p>3 THE WITNESS: I can't say.</p> <p>4 BY MR. BURT:</p> <p>5 Q You can't say.</p> <p>6 So sitting here now -- strike that.</p> <p>7 You then say, "Essentially Sentinel has</p> <p>8 been overpaid by approximately 15 million.</p> <p>9 Although there doesn't appear to be anything in</p> <p>10 GAAP preventing the recording of the gain it does</p> <p>11 create a significant amount of question as well as</p> <p>12 a ton of additional disclosures in the audit</p> <p>13 report."</p> <p>14 I get the point that you made that there</p> <p>15 is a bunch of work that would have had to have</p> <p>16 been done, but nothing from -- you say here</p> <p>17 nothing from GAAP or accounting principles would</p> <p>18 preclude recording that as an investment gain, the</p> <p>19 delta between the premium and the valuation,</p> <p>20 right?</p> <p>21 A Whether it was recorded as a gain or</p> <p>22 additional premium wouldn't have changed the fact</p> <p>23 that there wasn't going to be premium going back</p> <p>24 to the insureds.</p> <p>25 Q Is that the dispositive point for why you</p>
<p>230</p> <p>1 there would have been for just the 25 million</p> <p>2 cash?</p> <p>3 A We were talking about an investment gain,</p> <p>4 we were talking about premium at that time, so.</p> <p>5 Q And then you say because there is no</p> <p>6 return of overpayment of premium it gives rise to</p> <p>7 the question is this an arm's length transaction,</p> <p>8 what did you mean by that?</p> <p>9 A So the policy although stated that the</p> <p>10 premium was 25 million the intention with the</p> <p>11 transaction since there was no -- there wasn't</p> <p>12 sufficient cash to be able to pay the premium all</p> <p>13 of those assets were to go into Sentinel.</p> <p>14 Should there be an appreciation in value</p> <p>15 or a found improvement in the value of the assets</p> <p>16 received there would be no return of premium above</p> <p>17 the 25 million to the insureds.</p> <p>18 Q But isn't the reality that really wasn't</p> <p>19 an arm's length transaction, right, you had</p> <p>20 J.P. Sevilla organizing on both sides?</p> <p>21 MR. WELDON: Objection.</p> <p>22 THE WITNESS: I don't know.</p> <p>23 BY MR. BURT:</p> <p>24 Q But that's the fact, right, you have</p> <p>25 testified about it earlier today, J.P.'s role in</p>	<p>232</p> <p>1 felt like it needed to be reported as premium?</p> <p>2 A We had the discussion with the auditors</p> <p>3 and then with the directors and the directors</p> <p>4 chose to have the policy amended.</p> <p>5 Q You state in the next paragraph,</p> <p>6 "Alternatively, if we can adjust the premium to</p> <p>7 40 million it would resolve the issue on there,"</p> <p>8 so that appears to be the suggestion the auditors</p> <p>9 made that was adopted?</p> <p>10 A Correct.</p> <p>11 Q Mr. Sevilla asks, "How much cash will</p> <p>12 Sentinel have to hold per CIMA if the premium is</p> <p>13 40 million assuming the term is two years."</p> <p>14 Is the term that he's referring to is that</p> <p>15 the term over which the risk is accounted for?</p> <p>16 A Correct.</p> <p>17 Q And you respond, "J.P., cash is still fine</p> <p>18 under the proposed option, Sentinel's maintained</p> <p>19 cash is required" -- I think you meant to be at</p> <p>20 least -- "at least be equal to 100% of reserves</p> <p>21 which are not affected by this option."</p> <p>22 Stopping there, what are the reserves that</p> <p>23 you are referring to?</p> <p>24 A That would be the loss reserves per the</p> <p>25 actuarial analysis.</p>

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<p>233</p> <p>1 Q And what does CIMA require specifically?</p> <p>2 A It's not necessarily a CIMA requirement,</p> <p>3 but it was a requirement per the investment policy</p> <p>4 that Sentinel had sought approval from CIMA. The</p> <p>5 investment policy stated that at any time cash</p> <p>6 reserves would be held at least equal to the loss</p> <p>7 reserves.</p> <p>8 Q And the loss reserves were determined how?</p> <p>9 A Actuarially as I stated previously.</p> <p>10 Q Was that Jason Stubbs who was determining</p> <p>11 that?</p> <p>12 A That's correct.</p> <p>13 Q Was that reflected in his actuarial</p> <p>14 analysis that we looked at earlier?</p> <p>15 A That was the pricing study.</p> <p>16 Q So he performed separate work to determine</p> <p>17 the amount of loss reserves that should be kept?</p> <p>18 A Correct. I believe I said that earlier as</p> <p>19 well.</p> <p>20 Q Okay. Thank you for clarifying.</p> <p>21 Then you state, "Additionally, CIMA's</p> <p>22 surplus requirements are that Sentinel must</p> <p>23 maintain surplus in excess of 125% of the greater</p> <p>24 of, one, minimum capital requirements, 200K; or,</p> <p>25 two, prescribe capital requirements 15% of earned</p>	<p>235</p> <p>1 A So at the time that the policy was written</p> <p>2 and we were working on accounting for it we had</p> <p>3 discussions with J.P. and Isaac regarding the</p> <p>4 expected -- what was the term -- the expected risk</p> <p>5 period, and it was determined based on the</p> <p>6 schedule that was estimated that it would be a</p> <p>7 two-year period so the premium was being earned</p> <p>8 over that two-year period. And this was</p> <p>9 indicating if there was a delay in that should we</p> <p>10 extend the policy period and I said that, no, that</p> <p>11 wasn't appropriate to do that.</p> <p>12 Q And you write here in the next line, "This</p> <p>13 would cause more concern with whether it is an</p> <p>14 arm's length transaction." What did you mean that</p> <p>15 time?</p> <p>16 A That if there was manipulation of the</p> <p>17 policy term to extend the risk period that it</p> <p>18 could cause concerns of whether it being an arm's</p> <p>19 length transaction.</p> <p>20 Q At like the CIMA level?</p> <p>21 A At the CIMA level, yes.</p> <p>22 Q If you go to the first page here, the</p> <p>23 question is asked by J.P. whether the insureds</p> <p>24 need to sign on the amendment or could it -- I</p> <p>25 think he is referring to the endorsement or could</p>
<p>234</p> <p>1 premium. Because earned premium would increase</p> <p>2 there would be a great minimum surplus under this</p> <p>3 option."</p> <p>4 So help me understand what you are saying</p> <p>5 here.</p> <p>6 A CIMA requirements state that capital has</p> <p>7 to be maintained at a certain level for each</p> <p>8 captive, depending on the class of insurance</p> <p>9 licensee.</p> <p>10 Q And you state at 12/31/17, "This would</p> <p>11 only increase the surplus requirement by about</p> <p>12 600K, not a concern for Sentinel as the surplus</p> <p>13 would be about 32 million or 30 million in excess</p> <p>14 of the requirement." Is that right?</p> <p>15 A Correct.</p> <p>16 Q Looking at your e-mail on the next page,</p> <p>17 June 6, 2018, you respond to J.P. that the</p> <p>18 auditors are comfortable with this and then say,</p> <p>19 "So originally at the time the ATE policy was</p> <p>20 written the trial was to be scheduled in mid 2018</p> <p>21 with everything wrapping up including appeal in</p> <p>22 2019. This fits into the 24-month policy term.</p> <p>23 Now if the projection is to go through end of</p> <p>24 2019/early 2020 I don't think we can change policy</p> <p>25 term." Why was that?</p>	<p>236</p> <p>1 it be more of an internal memo, and you reply on</p> <p>2 June 6, "Based on the fact that they signed the</p> <p>3 original policy I would say the insured should</p> <p>4 sign the endorsement. You could run that question</p> <p>5 by legal to see what they say, but I suspect it</p> <p>6 would be the same as my feeling."</p> <p>7 So we know that -- we have talked about</p> <p>8 Beecher brokering for the insureds as part of the</p> <p>9 ATE. Was Beecher brokering as part of the</p> <p>10 endorsement as well for the insureds?</p> <p>11 MR. WELDON: Objection.</p> <p>12 THE WITNESS: I don't believe so, but I</p> <p>13 don't know.</p> <p>14 BY MR. BURT:</p> <p>15 Q Is that something that you could find out</p> <p>16 quickly like you did with the other ones, just</p> <p>17 whether Beecher was representing the insureds on</p> <p>18 the endorsement as well as the broker?</p> <p>19 A I can ask, but I don't know that it will</p> <p>20 matter.</p> <p>21 Q Well, if you could ask that would be</p> <p>22 great, yes.</p> <p>23 A Okay.</p> <p>24 Q So let's go to the endorsement. Let's go</p> <p>25 to the end.</p>

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<p>237</p> <p>1 (Document marked Exhibit 138 for 2 identification.) 3 BY MR. BURT: 4 Q So handing you what's been marked as 5 Exhibit 138, Bates MD_00000010, it's towards the 6 very end, you will find the two endorsements 7 there, Endorsements 1 and 2. 8 So first of all, do you know when 9 Endorsement 1 actually was signed? 10 A I think it was signed in June, 2018. 11 Q Around the time of your e-mails -- 12 A Yes. 13 Q -- that we just looked at? 14 A Yes. 15 Q So Endorsement 1, it states that the 16 premium is stated in the schedule as adjusted to 17 \$68,362,333.62 to include the total fair value of 18 the received assets consists of cash of 11 million 19 and miscellaneous receivables of \$1,753,000 and an 20 investment portfolio of \$55,525,000 as measured at 21 fair value on the date of the transfer. 22 So in the e-mails we had just looked at we 23 had seen a 40 million all-in figure. How did we 24 go from that figure to the 68 million that's in 25 Endorsement 1?</p>	<p>239</p> <p>1 the valuation on multi-strat? 2 A No. 3 Q How did that go, how is that valuation 4 performed? 5 A That fund is audited and carries a net 6 asset value so it is easily determined. 7 Q Whatever portion of ownership interest 8 Sentinel has, is that portion of the assets of the 9 fund? 10 A Yes. 11 MS. REPORTER: What are you saying, 12 valuation on the multi-strat? 13 MR. BURT: He said multi-strategy. We 14 sometimes shorten to multi-strat, S-T-R-A-T. 15 BY MR. BURT: 16 Q Do you refer to it as multi-strat? 17 A Multi-strat, yes. 18 Q Did anyone at the insureds agree with the 19 policy premium could increase by three times 20 without increasing the coverage amount? 21 A I am not aware if that was presented to 22 the insureds. 23 Q Because the coverage amount stayed the 24 same, the 100 million -- 25 A Correct.</p>
<p>238</p> <p>1 A I believe there was another investment 2 that we were unaware of what it represented and 3 were able to get more information related to the 4 fair value of that, which bumped it up from 5 40 million to the 68 million. 6 Q So that investment alone was worth 7 28 million? 8 A Yes. 9 Q What was that investment? 10 A It was the Highland Multi-Strategy Credit 11 Fund. 12 Q What form was that investment, was that a 13 CLO, was that a promissory note? 14 A That is a limited partnership that 15 Highland managed. 16 Q And Sentinel obtained the interest in? 17 A Correct. 18 Q So when you wrote that e-mail about the 19 40 million -- 20 A That was prior to. 21 Q Prior to that, neither Beecher nor the 22 auditor fully understood or was able to value that 23 multi-strat interest? 24 A Correct. 25 Q Did the valuation company did they perform</p>	<p>240</p> <p>1 Q -- in Endorsement 1. 2 A But at the time of the inception of the 3 policy there was a risk that the assets received 4 would increase but there was also a risk that 5 those assets would decrease. 6 Q And what's the significance of that, the 7 risk on both sides? 8 A It's a risk that they were -- that 9 Sentinel was taking when they accepted a basket of 10 unmarketable securities as premium -- 11 Q Okay. 12 A -- with only 11 million being in cash. 13 Q Are you mentioning that to make the point 14 that there was no problem with not increasing the 15 coverage amount by a comparative amount with the 16 increase in the premium? 17 A The understanding was that the premium -- 18 sorry, the investments could be worth 19 significantly more than 25 million or they could 20 be significantly less than 25 million. 21 Q But the coverage would be 100,000,000 22 Either Way? 23 A Correct. 24 Q And who was that understanding shared by? 25 A That was based on discussions with J.P.</p>

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<p>241</p> <p>1 Q Do you know how CIMA -- when CIMA learned</p> <p>2 of Endorsement 1 how CIMA reacted to it?</p> <p>3 A I don't recall how their reaction was.</p> <p>4 Q Okay.</p> <p>5 In your pile, the CIMA, the big thing of</p> <p>6 CIMA reports, it is Exhibit 126, so I want to look</p> <p>7 at the page, it is part of the AML report towards</p> <p>8 the back, it ends in Bates 78819, do you see there</p> <p>9 there is AML findings and then the first finding</p> <p>10 is 5.2.1.1?</p> <p>11 A Yes.</p> <p>12 Q So the second full paragraph under that</p> <p>13 finding begins with the U.S. dollar 68.3 million,</p> <p>14 do you see where I am?</p> <p>15 A Yes.</p> <p>16 Q So it states there, "The U.S. 68.3 million</p> <p>17 stemming from the transaction described above</p> <p>18 increased the licensee's investment portfolio from</p> <p>19 U.S. 12 million as of December 31, 2016, to U.S.</p> <p>20 86 million as of -- as at December 31, 2017.</p> <p>21 Included in the U.S. 86 million is approximately</p> <p>22 U.S. 37 million being funds invested in Highland</p> <p>23 Multi-Strategy Credit Fund Limited," which is what</p> <p>24 you mentioned?</p> <p>25 A Correct.</p>	<p>243</p> <p>1 premium. The above matters cast significant doubt</p> <p>2 on the economic substance and business purpose of</p> <p>3 the transactions relating to the ATE coverage. Do</p> <p>4 you recall receiving that from CIMA?</p> <p>5 A I do.</p> <p>6 Q And what was Beecher's reaction to that?</p> <p>7 A Sorry, what was the question now?</p> <p>8 Q My question is what was Beecher's reaction</p> <p>9 when informed by CIMA that there was significant</p> <p>10 doubt on the economic substance and business</p> <p>11 purposes of the transaction relating to the ATE</p> <p>12 coverage?</p> <p>13 A Beecher discussed with the directors and</p> <p>14 formulated the response here under management's</p> <p>15 comments to explain the process as far as how the</p> <p>16 premium was determined and the assets coming in.</p> <p>17 Q And did you help draft that?</p> <p>18 A I have reviewed and helped edit the</p> <p>19 document.</p> <p>20 Q Do you know who was the primary drafter?</p> <p>21 A I think it was a combination of the</p> <p>22 directors and Beecher.</p> <p>23 Q Which directors in particular?</p> <p>24 A All of them.</p> <p>25 Q Do you recall working with Matt DiOrio and</p>
<p>242</p> <p>1 Q "A hedge fund affiliated to Highland</p> <p>2 Capital Management, LP."</p> <p>3 "The U.S. 37 million is part of the</p> <p>4 U.S. 55.5 million transferred to the licensee in</p> <p>5 part fulfillment of the premium payment for the</p> <p>6 ATE cover. The audit opinion on the financial</p> <p>7 statements for the year ended December 31, 2017</p> <p>8 was qualified partly on the basis that the</p> <p>9 investment in Highland Multi-Strategy Credit Fund</p> <p>10 Limited could not be valued. Those charged with</p> <p>11 the licensee's governance could not explain the</p> <p>12 basis upon which the investments have been valued</p> <p>13 on or about August 1, 2017 for the purpose of</p> <p>14 premium settlement. Also, they could not explain</p> <p>15 the reason why the information was relied on to</p> <p>16 value the investments for the purpose of premium</p> <p>17 settlement could not be readily provided to the</p> <p>18 auditors upon request considering that the policy</p> <p>19 inception and the financial statements audit were</p> <p>20 only a few months apart."</p> <p>21 Then states, "In addition, those charged</p> <p>22 with governance could not explain where the</p> <p>23 ownership in the U.S. 68.3 million in investments</p> <p>24 and cash vested prior to being transferred to the</p> <p>25 licensee for settlement of the ATE coverage</p>	<p>244</p> <p>1 Katie Irving on developing responses to the CIMA</p> <p>2 reports?</p> <p>3 A I did.</p> <p>4 Q Did they play a role in developing these</p> <p>5 responses?</p> <p>6 A I believe Matt did.</p> <p>7 Q I see the management comments on Page 6</p> <p>8 and 7 of the AML report on Page 8 the authority</p> <p>9 responds, and we have already read part of that</p> <p>10 regarding Jason Stubbs where they noted he was not</p> <p>11 involved in premium pricing but just in</p> <p>12 calculation of loss reserves, and then skipping</p> <p>13 the long paragraph, the second paragraph from the</p> <p>14 bottom, states, "In addition, in any case to amend</p> <p>15 an insurance policy to artificially inflate the</p> <p>16 premium amount to equal the value of the</p> <p>17 investments transferred to the licensee without</p> <p>18 any justifiable business purpose in economic</p> <p>19 substance is at the very least questionable."</p> <p>20 So that was CIMA's ultimate determination</p> <p>21 with regards to Endorsement 1, wasn't it?</p> <p>22 A That is how it would appear, yes.</p> <p>23 Q I can't recall, I believe you testified</p> <p>24 you have not done this with any other insurance</p> <p>25 policy in your career working on insurance</p>

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<p>245</p> <p>1 policies, done such an endorsement?</p> <p>2 MR. WELDON: Objection.</p> <p>3 THE WITNESS: I think that's correct.</p> <p>4 BY MR. BURT:</p> <p>5 Q So sitting here today and looking back,</p> <p>6 would you agree with CIMA that this was a</p> <p>7 questionable thing to do to adjust the premium in</p> <p>8 this manner?</p> <p>9 MR. WELDON: Objection.</p> <p>10 THE WITNESS: I understand the reasons for</p> <p>11 why it was done and I don't know what else I can</p> <p>12 say on that.</p> <p>13 BY MR. BURT:</p> <p>14 Q Let's look at Endorsement 2, it's not in</p> <p>15 the CIMA report, but I think you have it right</p> <p>16 there underneath.</p> <p>17 So how long after Endorsement 1 did</p> <p>18 Endorsement 2 happen?</p> <p>19 A Within a short period of time.</p> <p>20 Q Like what does short mean in this context?</p> <p>21 A A week, maybe two weeks.</p> <p>22 Q And describe what the problem was that was</p> <p>23 trying to be addressed in Endorsement No. 2.</p> <p>24 A The risk mitigation fees that had been</p> <p>25 paid to this point under the view of the auditors</p>	<p>247</p> <p>1 the loss?</p> <p>2 A Yes.</p> <p>3 Q Endorsement 2 we see that the premium is</p> <p>4 reduced to 59,362,000 and that 9 million has been</p> <p>5 prepaid by the insured to the insurer to cover</p> <p>6 risk mitigation costs which include but are not</p> <p>7 limited to legal defense costs and the limited</p> <p>8 indemnity is reduced to 91 million in the</p> <p>9 aggregate.</p> <p>10 So essentially is it correct that</p> <p>11 9 million is taken out of what had been booked as</p> <p>12 premium and put as risk mitigation or prepaid risk</p> <p>13 mitigation?</p> <p>14 A Correct.</p> <p>15 Q Was that really just an accounting</p> <p>16 transaction that happened or was money actually</p> <p>17 moved in any accounts?</p> <p>18 A There was no money being moved there, that</p> <p>19 was just the recording of a liability for that</p> <p>20 pre-funded balance.</p> <p>21 Q And that -- so that 9 million showed up as</p> <p>22 a liability on Sentinel's books?</p> <p>23 A Correct.</p> <p>24 MR. BURT: So let's do Tab 35.</p> <p>25</p>
<p>246</p> <p>1 indicated that a claim had occurred and if a claim</p> <p>2 had occurred the liability would need to be</p> <p>3 recorded upfront in its full liability of the</p> <p>4 actuarially-determined ultimate loss.</p> <p>5 Q Rather than spread out?</p> <p>6 A Rather than earning the premium out over</p> <p>7 the entire risk period and then accruing that</p> <p>8 liability for the reserves over that risk period.</p> <p>9 That would have posed a problem with the</p> <p>10 investment policy which stipulated that cash had</p> <p>11 to be maintained at or equal to the loss reserves,</p> <p>12 and that would have run afoul with CIMA.</p> <p>13 Q So there wouldn't have been enough cash,</p> <p>14 in other words, in the account?</p> <p>15 A Correct.</p> <p>16 Q If a claim had been made on the policy?</p> <p>17 A Correct.</p> <p>18 Q That would have immediately brought from</p> <p>19 an accounting perspective both the premium and</p> <p>20 loss the entire amounts immediately?</p> <p>21 A Correct.</p> <p>22 Q And is that just an issue of pure</p> <p>23 accounting, that is just how you account for these</p> <p>24 things if the claim is made you have got to</p> <p>25 recognize the premium, you have got to recognize</p>	<p>248</p> <p>1 (Document marked Exhibit 139 for</p> <p>2 identification.)</p> <p>3 MR. WELDON: What number is this?</p> <p>4 MS. REPORTER: 139.</p> <p>5 MR. BURT: Another short one.</p> <p>6 BY MR. BURT:</p> <p>7 Q Showing you 139 Bates BC SEN0000641688, an</p> <p>8 e-mail from Matt DiOrio to you sending an</p> <p>9 ATE-related invoice on July 25, 2018, and he asks</p> <p>10 you to arrange payment for the invoice and you</p> <p>11 reply the same day that "these are no longer</p> <p>12 covered under the ATE policy but are merely risk</p> <p>13 mitigation fees" and then you are asked "do you</p> <p>14 still need Beecher to formally approve them and</p> <p>15 can they go directly to Lesley." And Lesley was a</p> <p>16 director at that time, right?</p> <p>17 A I don't know that she was a director at</p> <p>18 that point in time, but she worked for Maples and</p> <p>19 interacted with the directors that were there.</p> <p>20 Q I see, okay.</p> <p>21 And do you recall why this was not -- why</p> <p>22 this request for payment was not covered under the</p> <p>23 ATE policy but was risk mitigation?</p> <p>24 A I do not.</p> <p>25 Q And I realize there is not a lot of</p>

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<p>249</p> <p>1 context there. But looking up, Mr. DiOrto</p> <p>2 actually asks the question "why are these not</p> <p>3 covered under the ATE policy," and you respond</p> <p>4 "they are the defense costs that we had to pull</p> <p>5 out of the policy on account of there being an</p> <p>6 audit issue with paying defense costs under the</p> <p>7 policy with no claim. If we left them under the</p> <p>8 policy it would have required us to earn all the</p> <p>9 premium upfront and record the full actuarial</p> <p>10 ultimate. This would have triggered cash</p> <p>11 deficiencies in Sentinel." So that appears to be</p> <p>12 the explanation that you gave.</p> <p>13 A That's correct.</p> <p>14 Q If you file a claim for accounting reasons</p> <p>15 you have got to record the premium and the full</p> <p>16 actuarial ultimate.</p> <p>17 A Correct.</p> <p>18 Q And if you do that there is not enough</p> <p>19 cash so now you are in a cash problem and CIMA</p> <p>20 gets triggered in essence?</p> <p>21 A Correct.</p> <p>22 Q Is there a way that this is typically done</p> <p>23 where if defense costs are being paid out of the</p> <p>24 policy claims are made on the policy?</p> <p>25 A If there are defense costs there is a</p>	<p>251</p> <p>1 are incurred during the conduct of legal action on</p> <p>2 behalf of the insured.</p> <p>3 Q So that is the definition of own costs.</p> <p>4 Where is -- is there another provision that</p> <p>5 explains how those are to be treated under the</p> <p>6 policy?</p> <p>7 A That is the only one that I understand of</p> <p>8 the policy.</p> <p>9 Q So here -- and I am not aware of it</p> <p>10 showing up anywhere else in the policy, if it does</p> <p>11 and you recall if you can just point me to it,</p> <p>12 here you are saying there is this definition of</p> <p>13 own costs which refers to the cost and expenses of</p> <p>14 the representative and other service providers in</p> <p>15 the normal course, including related tax, which</p> <p>16 are incurred during the conduct of the legal</p> <p>17 action on behalf of the insured. So all of those</p> <p>18 costs are defined as own costs.</p> <p>19 So what is the significance -- tie that</p> <p>20 together for me, what is the significance of that</p> <p>21 to how you all chose to account and do Endorsement</p> <p>22 No. 2?</p> <p>23 MR. WELDON: Objection, asked and</p> <p>24 answered.</p> <p>25</p>
<p>250</p> <p>1 claim that has been made.</p> <p>2 Q And is that the way that it typically</p> <p>3 works?</p> <p>4 A Yes.</p> <p>5 Q But here with these defense costs there</p> <p>6 was -- claims were not being made, right, on the</p> <p>7 policy?</p> <p>8 A Correct.</p> <p>9 Q Have you ever done it this way in any</p> <p>10 other policy?</p> <p>11 A I think the issue here is that these were</p> <p>12 ongoing expenses that were being paid under that</p> <p>13 own cost clause in the policy or the risk</p> <p>14 mitigation fees.</p> <p>15 Q So I want to make sure I know what clause</p> <p>16 you are talking about. Do you have the policy</p> <p>17 handy there?</p> <p>18 A I do.</p> <p>19 Q Can you direct me to the provision you are</p> <p>20 thinking of?</p> <p>21 A 9.1.7.</p> <p>22 Q Okay.</p> <p>23 A Own costs means all costs and expenses of</p> <p>24 the representative and other service providers in</p> <p>25 the normal course, including related tax, which</p>	<p>252</p> <p>1 BY MR. BURT:</p> <p>2 Q You can answer.</p> <p>3 A So the discussions that we had with J.P.</p> <p>4 under the understanding that all assets were being</p> <p>5 paid as premium to Sentinel the insureds had no</p> <p>6 means of being able to pay normal business costs</p> <p>7 going forward, so they would be covered under the</p> <p>8 own cost clause which we had broken out as the</p> <p>9 pre-funded risk mitigation fees.</p> <p>10 Q Right, I understand that.</p> <p>11 But you also testified when defense -- on</p> <p>12 other policies when defense costs are being paid</p> <p>13 there's been a claim made on the policy, I think</p> <p>14 that's what you said, right?</p> <p>15 A That is correct.</p> <p>16 Q So is it correct that this is the only</p> <p>17 instance in which you are aware in which those</p> <p>18 costs could be paid without making a claim on the</p> <p>19 policy?</p> <p>20 A These were classified as risk mitigation</p> <p>21 fees which were differentiated from defense</p> <p>22 claims, defense claims fees.</p> <p>23 Q Right.</p> <p>24 But ultimately they were to pay for the</p> <p>25 defense of the case, right, that's what these</p>

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<p>253</p> <p>1 were?</p> <p>2 A They were -- sure.</p> <p>3 MR. WELDON: Objection.</p> <p>4 THE WITNESS: But it's not --</p> <p>5 MR. BURT: Chris, you can laugh at this,</p> <p>6 it never happened in any other policy, you do an</p> <p>7 accounting trick so you don't have to make a</p> <p>8 claim. I am trying to understand this. I don't</p> <p>9 know what is funny about it, Chris.</p> <p>10 MR. WELDON: Well, I think you</p> <p>11 misunderstand what he is saying. There was an</p> <p>12 accounting auditor that came in and looked at the</p> <p>13 policy. His testimony is pretty clear. And</p> <p>14 auditor came in and said he had to adjust it</p> <p>15 because this isn't going to be covered under the</p> <p>16 policy.</p> <p>17 MR. BURT: That was Endorsement 1, I</p> <p>18 haven't heard anything about an auditor on</p> <p>19 Endorsement 2.</p> <p>20 THE WITNESS: This was all raised by the</p> <p>21 auditors and in terms of how the loss reserves</p> <p>22 would end up needing to be recorded on Sentinel's</p> <p>23 books as of year-end if there was a claim and it</p> <p>24 was made clear to us that the triggering of the</p> <p>25 claim would be the judgment against the insureds.</p>	<p>255</p> <p>1 of you?</p> <p>2 A I do.</p> <p>3 Q Terrific.</p> <p>4 I think we have gone through the first</p> <p>5 three, Aberdeen was not registered at Sentinel and</p> <p>6 the two Southforks were, is that right?</p> <p>7 A Correct.</p> <p>8 Q The next is another Aberdeen LN FDG</p> <p>9 Limited PFD.</p> <p>10 First of all, do you know what difference</p> <p>11 between that one is and the first Aberdeen?</p> <p>12 A I don't.</p> <p>13 Q Was this investment transferred to</p> <p>14 Sentinel?</p> <p>15 A It is not in Sentinel's name.</p> <p>16 Q The next one is GSC ABS CDO 2006-4U LT CUM</p> <p>17 PFD 144A. Is that registered in Sentinel's name?</p> <p>18 A I don't believe it is.</p> <p>19 Q And so to the best of Beecher's knowledge</p> <p>20 if they were not transferred and registered at --</p> <p>21 to the best of Beecher's knowledge, if not</p> <p>22 registered at Sentinel would they still be at</p> <p>23 Highland's CDO Opportunity Master Fund, LP?</p> <p>24 MR. WELDON: Asked and answered. He</p> <p>25 already said he doesn't know where they are before</p>
<p>254</p> <p>1 BY MR. BURT:</p> <p>2 Q Just so we are absolutely clear, yes or</p> <p>3 no, this has never been done on any other policy</p> <p>4 you have worked on, correct?</p> <p>5 MR. WELDON: Objection.</p> <p>6 THE WITNESS: I have not seen it done</p> <p>7 before.</p> <p>8 MR. BURT: Why don't we go ahead and take</p> <p>9 a break.</p> <p>10 THE VIDEOGRAPHER: This marks the end of</p> <p>11 Disk No. 4 in the deposition of Thomas Adamczak,</p> <p>12 we are off the record at 4:16.</p> <p>13 (Recess taken.)</p> <p>14 THE VIDEOGRAPHER: Here begins Disk No. 5</p> <p>15 in the deposition of Thomas Adamczak, we are back</p> <p>16 on the record at 4:41.</p> <p>17 BY MR. BURT:</p> <p>18 Q Mr. Adamczak, we are going to take a</p> <p>19 little detour and go back to Schedule A of the</p> <p>20 asset purchase agreement to walk through quickly</p> <p>21 the various investment instruments just to get for</p> <p>22 the record whether they were transferred and</p> <p>23 registered at Sentinel.</p> <p>24 A Okay.</p> <p>25 Q Do you have a copy of Schedule A in front</p>	<p>256</p> <p>1 they came.</p> <p>2 BY MR. BURT:</p> <p>3 Q You can answer.</p> <p>4 A That's correct.</p> <p>5 Q What your counsel testified to?</p> <p>6 MR. WELDON: I wasn't testifying, what his</p> <p>7 answer, his answer was --</p> <p>8 THE WITNESS: I don't know where they are</p> <p>9 held/custodied.</p> <p>10 BY MR. BURT:</p> <p>11 Q The next one is Greenbriar CLO LTD PFD</p> <p>12 144A.</p> <p>13 A Sorry, which one, the Greenbriar?</p> <p>14 Q The Greenbriar CLO LTD PFD 144A.</p> <p>15 A That one was not transferred in.</p> <p>16 Q Next is Highland FINL Partners LP.</p> <p>17 A The 615,733 was.</p> <p>18 Q And below that another Highland FINL</p> <p>19 Partners LP NPV?</p> <p>20 A Was not.</p> <p>21 Q Then we have Longstreet CDO I -- I think</p> <p>22 it is an I LTD PFD 144A.</p> <p>23 A It is not.</p> <p>24 Q Then Nexpoint C COM USD0.001 (POST REV S)?</p> <p>25 A That one was.</p>

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<p>257</p> <p>1 Q Next is PAM CAP FDG LP 0.001MAY13 144A.</p> <p>2 A That one was not.</p> <p>3 Q Then is TOUSA INC 8.0 PFD 144A?</p> <p>4 A This one was not.</p> <p>5 Q Next is Valhalla CLO LTD 0.0 01AUG23 144A?</p> <p>6 A That was not.</p> <p>7 Q Next is Vertical ABS CDO 2 0.0 09MAY46</p> <p>8 144A?</p> <p>9 A That was not.</p> <p>10 Q Just so I am clear, when you say it is</p> <p>11 not --</p> <p>12 A Not transferred into Sentinel.</p> <p>13 Q At any time, it was never registered in</p> <p>14 Sentinel's name?</p> <p>15 A Correct.</p> <p>16 If I indicate that one was transferred in</p> <p>17 it is either in Sentinel now or it was transferred</p> <p>18 in and has since paid out and closed or sold.</p> <p>19 Q Or been moved?</p> <p>20 A Right.</p> <p>21 Q And we will talk in a minute about</p> <p>22 Sebastian Clark and assets that were transferred</p> <p>23 to Sebastian Clark, I think that is one of the</p> <p>24 things you are referring to as far as transferring</p> <p>25 out of Sentinel.</p>	<p>259</p> <p>1 Q And then underneath that is CAMBR 5X</p> <p>2 Floating - 12/2045.</p> <p>3 A That was not.</p> <p>4 Q And then the cash of 7.779 was</p> <p>5 transferred, correct?</p> <p>6 A All of the cash was transferred in.</p> <p>7 Q So that would apply to the next cash under</p> <p>8 Highland CDO Opportunity Fund Limited, correct?</p> <p>9 A Correct.</p> <p>10 Q Then we get to Highland CDO holdings,</p> <p>11 company, the first is HFT REAL EST 3.33867 25NOV5</p> <p>12 144A F.</p> <p>13 A That was transferred.</p> <p>14 Q Then is Nexpoint C Com USD0.001 (POST REV</p> <p>15 S)?</p> <p>16 A That was transferred in.</p> <p>17 Q Then is Nexpoint R Com USD0.001 "WT"?</p> <p>18 A That was transferred in.</p> <p>19 Q Next is Stratford CL 3.16956 01NOV21 144A</p> <p>20 F.</p> <p>21 A That was transferred in.</p> <p>22 Q Then is Highland Park C4.93867 25NOV51</p> <p>23 FRN?</p> <p>24 A That was not transferred in.</p> <p>25 Q Then is another promissory note CLO Holdco</p>
<p>258</p> <p>1 A Yes, but those are back in Sentinel.</p> <p>2 Q I see, okay. We will get to that in a</p> <p>3 moment.</p> <p>4 Then we have Highland Credit Opportunities</p> <p>5 CDO LTD Partnership interest?</p> <p>6 A That is in Sentinel.</p> <p>7 Q Next is Nexpoint Multifamily Capital</p> <p>8 Trust?</p> <p>9 A That is.</p> <p>10 Q Then we have Nexpoint Real Estate Strat-Z</p> <p>11 Highland Gemini Program (Pollux).</p> <p>12 A I think you just read off two.</p> <p>13 Q Did I? You are right I did.</p> <p>14 The next is just Nexpoint Real Estate</p> <p>15 Strat-Z.</p> <p>16 A That one is.</p> <p>17 Q Then we get to Highland Gemini Program</p> <p>18 (Pollux) Promissory Note - Highland Capital</p> <p>19 Management.</p> <p>20 A That one is not -- it is a promissory note</p> <p>21 so it is not in Sentinel's name, but it had -- I</p> <p>22 believe it had paid out interest to Sentinel at</p> <p>23 some point.</p> <p>24 Q Is it still paying interest to Sentinel?</p> <p>25 A I think it is delinquent.</p>	<p>260</p> <p>1 limited 12/23/2025?</p> <p>2 A Again, the promissory note so it is not</p> <p>3 being transferred in or re-registered in</p> <p>4 Sentinel's name, and I believe it had paid</p> <p>5 interest but is currently delinquent.</p> <p>6 Q And we have cash that was paid.</p> <p>7 A Correct.</p> <p>8 Q And then the last is Capital Management</p> <p>9 LP?</p> <p>10 A So that's the dividends receivable from</p> <p>11 Highland Capital Management, and I believe that</p> <p>12 was collected.</p> <p>13 Q All right, almost done.</p> <p>14 The next is Highland Special Opportunities</p> <p>15 Holding Company.</p> <p>16 The first listed there is Delphi Corp. DEL</p> <p>17 7.125 01May29.</p> <p>18 A I believe that one was transferred in.</p> <p>19 Q And we have Delphi Corp. DEL 6.55 15JUN06</p> <p>20 USD?</p> <p>21 A I believe that one was transferred in as</p> <p>22 well.</p> <p>23 Q Longstreet CDO I LTD PFD 144A?</p> <p>24 A That was not transferred in.</p> <p>25 Q TOUSA INC 8.0 PFD 144A?</p>

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<p>261</p> <p>1 A That was not transferred in.</p> <p>2 Q Vertical ABS CDO 2 0.0 09MAY46 144A?</p> <p>3 A That was not transferred in.</p> <p>4 Q And then cash that was transferred,</p> <p>5 correct?</p> <p>6 A Correct.</p> <p>7 Q And then under Highland Financial Corp.,</p> <p>8 cash that was transferred, correct?</p> <p>9 A Correct.</p> <p>10 Q And then there is Capital Management --</p> <p>11 tax refund receivable at Highland Capital</p> <p>12 Management, LP.</p> <p>13 Was that cash transferred or collected?</p> <p>14 A Only in part. That was a refund from the</p> <p>15 IRS that when the refund came in it was in the</p> <p>16 name of I am assuming Highland Financial Corp.,</p> <p>17 and as such could not be deposited into Sentinel's</p> <p>18 account. So Matt DiOrio had opened an account in</p> <p>19 that name, deposited the check, and then</p> <p>20 transferred the majority of the funds into</p> <p>21 Sentinel's account.</p> <p>22 MR. WELDON: I think you had him testify</p> <p>23 about that check earlier today.</p> <p>24 BY MR. BURT:</p> <p>25 Q Then we have Highland Financial Partners</p>	<p>263</p> <p>1 to Mr. Kranz on July 2 you write, "Pete, I just</p> <p>2 spoke to Lisa. We have a potentially bigger issue</p> <p>3 than the investments. Lisa just informed me they</p> <p>4 feel the ATE premium and ultimate loss should all</p> <p>5 be recorded immediately and not earned pro rata</p> <p>6 over a period." So I will stop there.</p> <p>7 Who is the Lisa that you are referring to?</p> <p>8 A This is Lisa, the auditor with Crowe.</p> <p>9 Q And so here Lisa said that the premium and</p> <p>10 ultimate loss should be recorded immediately,</p> <p>11 right?</p> <p>12 A Based on what we previously discussed if</p> <p>13 there was a claim payment it would indicate that</p> <p>14 there is a claim and the claim should be recorded</p> <p>15 all upfront.</p> <p>16 Q And you write here, "The primary reason is</p> <p>17 that the loss event is known and, therefore, they</p> <p>18 feel this more like retroactive coverage, similar</p> <p>19 to an LPT or a novation." What is an LPT or a</p> <p>20 novation?</p> <p>21 A Loss portfolio transfer.</p> <p>22 Q What does novation refer to?</p> <p>23 A A transfer of risk off your balance sheet</p> <p>24 to somebody else.</p> <p>25 Q Lisa even went back to Art and discussed</p>
<p>262</p> <p>1 LP cash of 29,000 that was transferred, correct?</p> <p>2 A Correct.</p> <p>3 Q Thank you.</p> <p>4 I don't have a question about</p> <p>5 transferring, just a question on actually the</p> <p>6 entity description itself, under the -- in the</p> <p>7 first big box there for Highlands CDO Opportunity</p> <p>8 Master Fund, the third from the bottom, the</p> <p>9 Highland Gemini program that's listed as Pollux,</p> <p>10 do you know whether that actually came from</p> <p>11 Dugaboy?</p> <p>12 A I do not, no.</p> <p>13 MR. BURT: I think I gave the next</p> <p>14 exhibit.</p> <p>15 MR. WELDON: 140.</p> <p>16 MR. BURT: 140.</p> <p>17 (Document marked Exhibit 140 for</p> <p>18 identification.)</p> <p>19 BY MR. BURT:</p> <p>20 Q Showing, Mr. Adamczak, Exhibit 140, which</p> <p>21 is BC SEN0000585041, e-mails between you and</p> <p>22 Mr. Kranz in July of 2018, do you see that?</p> <p>23 A I do.</p> <p>24 Q Now, I am going to back now from our</p> <p>25 detour back to Endorsement No. 2, so your e-mail</p>	<p>264</p> <p>1 with him and he agreed. Who is Art?</p> <p>2 A Art is a partner at Crowe.</p> <p>3 Q They then -- you then say "They are pretty</p> <p>4 sure this" -- I think you meant to say is -- "how</p> <p>5 it should be accounted for unless there is</p> <p>6 something/events that the policy covers that</p> <p>7 is/are unknown other than the value of the loss.</p> <p>8 I know this is going to require us to revise/amend</p> <p>9 the investment policy because we do not have</p> <p>10 nearly enough cash as of year-end. Had this been</p> <p>11 known how it would need to be accounted for we</p> <p>12 would have needed all premium in cash (or at least</p> <p>13 the much larger portion). Cash at year-end is</p> <p>14 only \$11.4 million while the ultimate on the ATE</p> <p>15 policy \$33.4 million."</p> <p>16 Ultimate there being the actuarial loss</p> <p>17 that was being --</p> <p>18 A The actuarial determined loss projection.</p> <p>19 Q Is this what triggered what led to</p> <p>20 Endorsement 2?</p> <p>21 A Correct.</p> <p>22 Q So you hadn't yet decided -- the idea to</p> <p>23 do the risk mitigation expense to pull out the</p> <p>24 \$9 million --</p> <p>25 A Correct.</p>

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<p>265</p> <p>1 Q -- as a prepaid balance.</p> <p>2 That was decided after Lisa had raised</p> <p>3 this issue with you?</p> <p>4 A Correct.</p> <p>5 Q And you discussed that idea with Lisa?</p> <p>6 A I did.</p> <p>7 Q And she signed off on it?</p> <p>8 A The idea of --</p> <p>9 Q Of doing a pre-funded 9 million risk</p> <p>10 mitigation prepaid litigation balance.</p> <p>11 A We discussed with internally at Beecher</p> <p>12 and with the directors and determined that the</p> <p>13 policy -- sorry, the claim -- the triggering event</p> <p>14 of the claim would be the judgment, an unfavorable</p> <p>15 judgment against the insureds. And because there</p> <p>16 was no judgment there could not be a claim so all</p> <p>17 of these expenses would be risk mitigation outside</p> <p>18 the actual indemnity payment.</p> <p>19 Q So Lisa actually wasn't involved in that</p> <p>20 decision it sounds like?</p> <p>21 A Lisa is an auditor for Sentinel, she</p> <p>22 wouldn't be making any decisions.</p> <p>23 Q Which directors did you discuss that with?</p> <p>24 A This would have been discussed with Andrew</p> <p>25 Dean and Lesley Thompson.</p>	<p>267</p> <p>1 Q What would CIMA -- what is CIMA's remedy</p> <p>2 in that situation where the cash is insufficient</p> <p>3 to meet the loss reserve requirement?</p> <p>4 A You would probably have to have a</p> <p>5 corrective action immediately and bringing the</p> <p>6 cash balances up in line with what the loss</p> <p>7 reserves were.</p> <p>8 Q So a lot more cash would have to be</p> <p>9 infused immediately?</p> <p>10 A Absolutely.</p> <p>11 Q And that was something it appears the</p> <p>12 directors including Mr. DiOrio wanted to avoid</p> <p>13 having to do?</p> <p>14 MR. WELDON: Objection.</p> <p>15 THE WITNESS: The nature of the</p> <p>16 investments were such that would -- in order to</p> <p>17 sell off they would have ended up recognizing</p> <p>18 substantial losses and they wanted to avoid that.</p> <p>19 MR. BURT: I gave you the wrong exhibit.</p> <p>20 I take that back.</p> <p>21 (Document marked Exhibit 141 for</p> <p>22 identification.)</p> <p>23 BY MR. BURT:</p> <p>24 Q Showing you Exhibit 141 Bates label BC</p> <p>25 SEN0000723353. Are you ready, Mr. Adamczak?</p>
<p>266</p> <p>1 Q Was Mr. DiOrio involved in that?</p> <p>2 A Mr. DiOrio had not yet -- actually, I</p> <p>3 don't remember when he joined, if he joined and</p> <p>4 was a director at that point we would have</p> <p>5 involved him in, but I don't remember when he came</p> <p>6 in.</p> <p>7 Q So if he had -- if he were a director he</p> <p>8 would have joined in that discussion?</p> <p>9 A Absolutely.</p> <p>10 Q How about J.P. Sevilla, was he involved in</p> <p>11 that decision making?</p> <p>12 A He may have been. He may have been</p> <p>13 involved in the discussion, but I don't recall.</p> <p>14 Q Looking back at this exhibit Pete's</p> <p>15 response to you is "this could get us fired by the</p> <p>16 client." Why did he say that, do you know?</p> <p>17 A Just because of the magnitude and the</p> <p>18 adjustment that this would require related to --</p> <p>19 well, the issue with not having enough cash on</p> <p>20 hand as of year-end to satisfy the investment</p> <p>21 policy requirement.</p> <p>22 Q Could it have unwound the ATE policy if it</p> <p>23 had been accounted for this way and there wasn't</p> <p>24 sufficient cash?</p> <p>25 A I don't believe so.</p>	<p>268</p> <p>1 A Yes.</p> <p>2 Q So at the bottom is an e-mail from you, it</p> <p>3 appears to a number of directors including Lesley</p> <p>4 Thompson Matt DiOrio and Andrew dean and a</p> <p>5 D. Massand, who I believe you mentioned was with</p> <p>6 Highland, right?</p> <p>7 A Correct.</p> <p>8 Q Dilip Massand?</p> <p>9 A Dilip Massand.</p> <p>10 Q You write here cc'ing J.P. Sevilla, "All,</p> <p>11 mentioned yesterday, the auditors noted an issue</p> <p>12 with defense costs being paid through the policy</p> <p>13 without their actually being a claim (claim</p> <p>14 trigger event is an unfavorable settlement or</p> <p>15 court awarded judgment). To correct, an</p> <p>16 endorsement was prepared to include the pre-funded</p> <p>17 risk mitigation defense costs of an estimated \$9</p> <p>18 million from premium and establish an escrow on</p> <p>19 the balance sheet to pay those costs from. The</p> <p>20 endorsement also reduces the aggregate limit to</p> <p>21 \$91 million from \$100 million."</p> <p>22 Is this when the directors -- when you</p> <p>23 first raised the issues with the directors I guess</p> <p>24 the call that you had? Strike that.</p> <p>25 Did you have a call with the directors the</p>

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<p>269</p> <p>1 day before this e-mail to discuss this issue?</p> <p>2 A We would have had a discussion with them.</p> <p>3 Q Here you are following up and in the</p> <p>4 e-mail above from you to Lesley Thompson you</p> <p>5 attach the unanimous consent form with respect to</p> <p>6 Endorsement No. 2. Was that the consent form</p> <p>7 needed from the directors?</p> <p>8 A Correct.</p> <p>9 Q Is that different than the Endorsement No.</p> <p>10 2 we have been looking at?</p> <p>11 A The unanimous consent form would have been</p> <p>12 the formal governance document where the directors</p> <p>13 signed off approving the Endorsement 2.</p> <p>14 Q And then Lesley responds with a couple of</p> <p>15 questions and the last question, the last bullet</p> <p>16 is the one I want to focus on, and she asks, "Can</p> <p>17 you explain the rationale for changing the limits</p> <p>18 on the policy? The original premium was \$25</p> <p>19 million, changed to \$68 million (to represent the</p> <p>20 fair value of the assets) and now dropped to \$59</p> <p>21 million. If the company was willing to write the</p> <p>22 risk at the original deemed premium level why is</p> <p>23 it now changing? As such I believe the company</p> <p>24 should keep the liability limits at the original</p> <p>25 agreed level."</p>	<p>271</p> <p>1 I am really just genuinely trying to</p> <p>2 understand, were the legal defense costs for the</p> <p>3 litigation being paid out of that \$9 million</p> <p>4 pre-funded balance?</p> <p>5 A I am not exactly sure the nature of the</p> <p>6 legal fees that that were instructed to be</p> <p>7 processed under the risk mitigation fees.</p> <p>8 Q Were fees paid to continue to the run the</p> <p>9 insureds since they had transferred all of their</p> <p>10 assets, were there normal operating expenses being</p> <p>11 paid for out of those risk mitigations?</p> <p>12 A Yes.</p> <p>13 Q So unrelated to the mitigation, just a</p> <p>14 filing requirement for CDO fund or an expense that</p> <p>15 they incurred in the normal course?</p> <p>16 A Yes.</p> <p>17 Q And were those expenses that Highland was</p> <p>18 submitting to Beecher for payment?</p> <p>19 A Yes.</p> <p>20 (Document marked Exhibit 142 for</p> <p>21 identification.)</p> <p>22 BY MR. BURT:</p> <p>23 Q Showing you Exhibit 142, this is Bates BC</p> <p>24 SEN0000667053, starting in the first-in-time</p> <p>25 e-mail on the second page, Mr. Adamczak, you send</p>
<p>270</p> <p>1 Do you recall that concern from</p> <p>2 Ms. Thompson?</p> <p>3 A I don't recall.</p> <p>4 Q Do you recall responding to that, to this</p> <p>5 e-mail?</p> <p>6 A I don't recall.</p> <p>7 Q Do you know whether her concern was ever</p> <p>8 resolved?</p> <p>9 MR. WELDON: Objection.</p> <p>10 THE WITNESS: As the directors had</p> <p>11 ultimately agreed and signed off on the</p> <p>12 endorsement and the unanimous consent I believe</p> <p>13 the concern was addressed.</p> <p>14 BY MR. BURT:</p> <p>15 Q To do something like this did all the</p> <p>16 directors have to unanimously agree?</p> <p>17 A Yes.</p> <p>18 Q One thing I want to clarify, so the \$9</p> <p>19 million in risk mitigation that is set aside, is</p> <p>20 it -- one use of that money was to pay for legal</p> <p>21 defense costs as part of the UBS litigation for</p> <p>22 the Highland entities, is that right?</p> <p>23 A We were directed to process invoices by</p> <p>24 the directors under the risk mitigation fees.</p> <p>25 Q So -- that's not precisely my question.</p>	<p>272</p> <p>1 an e-mail to Jan Neveril, Damien Austin, Onson</p> <p>2 Mukwedeya, and cc Matt DiOrion and Alli Devins.</p> <p>3 And there you say, Jan and Damien, attached please</p> <p>4 find an invoice for Sentinel to be submitted to</p> <p>5 Maples Paying Agency for disbursement. The</p> <p>6 invoice is for Risk Mitigation fees for ATE</p> <p>7 policy. Please approve and respond to all with</p> <p>8 instructions to disburse funds from the Sentinel</p> <p>9 Reinsurance Account 677670."</p> <p>10 Is that Sentinel Reinsurance account the</p> <p>11 checking account at CIBC?</p> <p>12 A No.</p> <p>13 Q What account is that?</p> <p>14 A This is when Maples served as directors,</p> <p>15 they had the cash account that they managed.</p> <p>16 Q So this was the Maples account?</p> <p>17 A Correct.</p> <p>18 Q Understood.</p> <p>19 The Onson Mukwedeya name is new, who is</p> <p>20 he?</p> <p>21 A Somebody at Maples.</p> <p>22 Q In response Damien Austin, who I believe</p> <p>23 is a director, is that right?</p> <p>24 A Correct.</p> <p>25 Q He responds to you and Matt, "Before I</p>

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<p>273</p> <p>1 authorize this for payment I wanted to check with 2 you how we go about determining that it should be 3 paid by Sentinel. I see that the invoice is 4 addressed to HCM and is related to Highland v. 5 UBS. How is Highland related to Sentinel? I 6 don't think I have a full organizational chart, do 7 you have one you can send to me please?" And he 8 goes on. 9 Now, my first question about this is why 10 was it, if you know, that Mr. Austin didn't know 11 that Highland was related to Sentinel? 12 A This may have been their first exposure to 13 any of the risk mitigation fees. 14 Q The fact that Highland and Sentinel have 15 common ownership, that wasn't hidden from 16 directors, right? 17 A It wasn't hidden, no. 18 And I believe Jan and Damian were new 19 directors at this point as well. 20 Q I see. 21 Then you respond to Damian and Jan and 22 say, "The invoice I previously sent is covered by 23 the ATE policy as it relates to defense costs on 24 the insured event." 25 Does that refresh your recollection about</p>	<p>275</p> <p>1 the risk mitigation fees. 2 Q You then write, "I hope this helps. Matt 3 might be able to provide more specifics on the 4 relationship or engagement letters if needed, but 5 there wouldn't be any connection between Sentinel 6 and the payees other than the fact that these are 7 to be covered under the ATE policy." 8 What did you mean when you said there 9 wasn't any connection between Sentinel and the 10 payees? 11 A There was no relationship between Sentinel 12 and the entities that were performing the 13 services, the services were not paid or were not 14 provided to Sentinel directly. 15 Q Now, you just mentioned a moment ago that 16 the directors had requested that Beecher process 17 the invoice and assist with making sure the 18 payments are made. Which directors specifically 19 have specifically requested that? 20 A All of the invoices that related to the 21 risk mitigation fees came through our contact at 22 Highland. 23 Q Which was Matt DiOrio? 24 A In this case Matt DiOrio. 25 Q At other times did they come from</p>
<p>274</p> <p>1 whether legal defense costs were paid out of the 2 pre-funded balance? 3 A So it looks like those legal fees were 4 being paid under the risk mitigation fee. 5 Q "These defense costs have been pre-funded 6 9.0 million set aside from ATE premium and are 7 being tracked separately by us, to date prior to 8 this invoice we have reimbursed \$5,438,351 of 9 these 'Risk Mitigation Fees'", do you see that? 10 A I do. 11 Q In between the Endorsement 2, which was 12 established I think you said sometime in late June 13 or early July of 2018, in between that time and 14 November 20, 2018, over \$5 million had been 15 reimbursed out of that risk mitigation pool, is 16 that right? 17 A To date 5 -- yes, 5 million was reimbursed 18 out of the risk mitigation fees. 19 Q And do you know what the majority of those 20 funds were being used for, what the expenses were? 21 A I do not. 22 Q So how much was for legal versus how much 23 was to run the insureds, you couldn't say? 24 A The directors had requested that we 25 process the invoices and reimburse them through</p>	<p>276</p> <p>1 J.P. Sevilla? 2 A It would have come from J.P., I believe. 3 I don't recall. 4 Q You can set that aside. Just give me one 5 second. 6 MR. BURT: Mark this as 143. 7 (Document marked Exhibit 143 for 8 identification.) 9 BY MR. BURT: 10 Q Showing you, Mr. Adamczak, Exhibit 143 11 Bates labeled UBSPROD020567. Go ahead and take a 12 look at that and let me know if you recognize the 13 document. 14 A I do. 15 Q What do you understand this document to 16 be? 17 A This document was a sales agreement to 18 transfer certain securities that we were told to 19 be worthless to remove them from the balance sheet 20 of Sentinel. 21 Q Who told you that they were worthless? 22 A That direction would have come from 23 Matt DiOrio. 24 Q As part of the valuation services that -- 25 the Valuation Research Corp. had done had they</p>

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<p>277</p> <p>1 determined that those -- these assets were</p> <p>2 worthless?</p> <p>3 A They had not been engaged to perform</p> <p>4 valuations on those investments and it was</p> <p>5 discussed that if those investments were worthless</p> <p>6 there was no point in obtaining a valuation.</p> <p>7 Q Were these investments on Schedule A to</p> <p>8 the purchase agreement any of them?</p> <p>9 A Yes, they should all be on that schedule.</p> <p>10 Q So Schedule A investments certain of those</p> <p>11 investments were not actually valued by</p> <p>12 Valuation Research Corp.?</p> <p>13 A Correct.</p> <p>14 Q Who made the decision which one should be</p> <p>15 valued and which one should not be valued?</p> <p>16 A That was the directors on discussions with</p> <p>17 Beecher Carlson.</p> <p>18 Q Were you involved in those discussions?</p> <p>19 A From the standpoint of what made sense to</p> <p>20 perform a valuation on, yes.</p> <p>21 Q Which directors in particular were</p> <p>22 involved in those discussions?</p> <p>23 A Matt DiOrio in particular and then the</p> <p>24 other directors were probably informed of it.</p> <p>25 Q But weren't involved in the discussions</p>	<p>279</p> <p>1 the transfer?</p> <p>2 A I am not recalling how that came about.</p> <p>3 Q The parties listed are Sentinel Reinsurance</p> <p>4 Ltd., I think that is a typo, and then Sebastian</p> <p>5 Clark, Ltd., which states as an exempted company</p> <p>6 incorporated in the Cayman Islands.</p> <p>7 What did you understand Sebastian Clark to</p> <p>8 be?</p> <p>9 A My understanding is that Sebastian Clark</p> <p>10 is a Cayman entity that provides director services</p> <p>11 for other Sentinel-related entities.</p> <p>12 Q Do you know who owns Sebastian Clark?</p> <p>13 A I do not.</p> <p>14 Q Do you know whether Sebastian Clark had</p> <p>15 any assets prior to the asset transfer agreement?</p> <p>16 A I do not.</p> <p>17 Q On page -- excuse me, on Schedule 1 of the</p> <p>18 asset purchase agreement it lists that the</p> <p>19 purchase price -- the total purchase price is \$3,</p> <p>20 do you see that?</p> <p>21 A You said Page 1.</p> <p>22 Q Schedule 1, it looks like it is Page 5.</p> <p>23 A Yes.</p> <p>24 Q Do you recall how that purchase price was</p> <p>25 come to?</p>
<p>278</p> <p>1 themselves?</p> <p>2 A They may have been involved in the</p> <p>3 discussions, but I don't recall.</p> <p>4 Q But you do recall Matt DiOrio being</p> <p>5 involved?</p> <p>6 A Definitely.</p> <p>7 Q And -- okay.</p> <p>8 So in consultation with Mr. DiOrio the</p> <p>9 decision is made the Valuation Research Corp. do</p> <p>10 some valuations on certain investments but not</p> <p>11 others.</p> <p>12 How does this asset transfer agreement</p> <p>13 come to be, whose idea was it to transfer these</p> <p>14 off the balance sheet?</p> <p>15 A I don't recall.</p> <p>16 Q Was that something that Beecher would have</p> <p>17 initiated or was that beyond Beecher's</p> <p>18 responsibilities?</p> <p>19 A It was beyond Beecher's responsibilities.</p> <p>20 Q Would it have been a director, perhaps?</p> <p>21 A Perhaps.</p> <p>22 Q But specifically you don't recall?</p> <p>23 A I don't recall, no.</p> <p>24 Q And who works on this asset transfer</p> <p>25 agreement in putting it together and organizing</p>	<p>280</p> <p>1 A A nominal value.</p> <p>2 Q And who made that decision?</p> <p>3 A I am not sure.</p> <p>4 Q It was somebody outside of Beecher?</p> <p>5 A It was not Beecher that determined that</p> <p>6 price.</p> <p>7 Q If we look at Schedule 2 it lists the</p> <p>8 assets that are being transferred, and two I want</p> <p>9 to look at, the Dugaboy Investment Trust</p> <p>10 Promissory Note acquired 8/11/2017, and it says</p> <p>11 under the Par/Face column \$2,399,996.</p> <p>12 Do you recall if that was the value on the</p> <p>13 Dugaboy promissory note at the time?</p> <p>14 A That was probably the face value at the</p> <p>15 time that that security was sold.</p> <p>16 Q And Mr. DiOrio had determined that it was</p> <p>17 a worthless asset?</p> <p>18 A It was not paying interest anymore.</p> <p>19 Q But the note was still valid, right, it</p> <p>20 hasn't expired or anything like that, it was still</p> <p>21 a valid promissory note?</p> <p>22 A I don't remember what the terms were. It</p> <p>23 was probably delinquent at that point.</p> <p>24 Q And then in the next row, the CLO Holdco</p> <p>25 Ltd., Promissory Note for a face value of</p>

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<p>281</p> <p>1 \$32,801,593, what do you understand about that</p> <p>2 promissory note?</p> <p>3 A The same as the Dugaboy Investment Trust</p> <p>4 promissory note.</p> <p>5 Q Were these the assets that Beecher</p> <p>6 discussed with Mr. DiOrio in determining what to</p> <p>7 value and what not to value?</p> <p>8 MR. WELDON: Objection.</p> <p>9 THE WITNESS: We discussed with Mr. DiOrio</p> <p>10 the valuation of all investments in the portfolio.</p> <p>11 BY MR. BURT:</p> <p>12 Q Right.</p> <p>13 And certain investments were determined --</p> <p>14 you all determined not to have value, is that</p> <p>15 right?</p> <p>16 MR. WELDON: Objection.</p> <p>17 THE WITNESS: It was not determined by</p> <p>18 Beecher that any investments had no value, that</p> <p>19 was something that was told to us by Matt DiOrio.</p> <p>20 BY MR. BURT:</p> <p>21 Q Did Beecher do anything independent to</p> <p>22 confirm that they were worthless?</p> <p>23 A We had no way of confirming anything.</p> <p>24 Q So, no, no documents or information had</p> <p>25 been provided from Sentinel or from any of the</p>	<p>283</p> <p>1 directors that were directors of some of the</p> <p>2 Sentinel structure entities.</p> <p>3 Q But not Sentinel itself?</p> <p>4 A No.</p> <p>5 Q Were they directors of Sebastian Clark?</p> <p>6 A I have no idea.</p> <p>7 Q Here Mr. Sevilla writes, "Gentlemen, are</p> <p>8 you available to review a matter for approval</p> <p>9 today? The matter relates to certain securities</p> <p>10 held at Sentinel Reinsurance Ltd., a Cayman</p> <p>11 Islands registered captive insurance company, that</p> <p>12 Sentinel currently marks at zero and which</p> <p>13 Sentinel would propose to transfer to Sebastian</p> <p>14 Clark for minimal consideration. My colleague</p> <p>15 Matt DiOrio, copied, is a director of Sentinel and</p> <p>16 will provide more detail in a subsequent e-mail."</p> <p>17 In this timeframe, the end of 2019, is</p> <p>18 that about when Beecher also learned of the</p> <p>19 potential transfer to Sebastian Clark?</p> <p>20 A I don't think we were aware of this until</p> <p>21 after it happened.</p> <p>22 Q Oh, until after the transfer had been</p> <p>23 finalized?</p> <p>24 A Or at least until after the effective date</p> <p>25 of the transfer.</p>
<p>282</p> <p>1 transferring entities?</p> <p>2 A Sentinel had no documents.</p> <p>3 Q Do you know who controls Dugaboy</p> <p>4 Investment?</p> <p>5 A I do not.</p> <p>6 Q How about CLO Holdco?</p> <p>7 A I do not.</p> <p>8 Q Let's look in conjunction with this,</p> <p>9 Exhibit 144?</p> <p>10 (Document marked Exhibit 144 for</p> <p>11 identification.)</p> <p>12 BY MR. BURT:</p> <p>13 Q Showing you Exhibit 144, Bates BC</p> <p>14 SEN0000638619, which is a series of e-mail and</p> <p>15 then another attachment of the asset transfer</p> <p>16 agreement.</p> <p>17 I'd like to show you the first-in-time</p> <p>18 e-mail from J.P. Sevilla on December 31, 2019.</p> <p>19 And he e-mails here, John Cullinane, David</p> <p>20 Egglisshaw, cc'ing Matt DiOrio and Katie Irving</p> <p>21 regarding Sebastian Clark Ltd. - Urgent.</p> <p>22 Do you know who John Cullane and</p> <p>23 David Egglisshaw were?</p> <p>24 A I do not know them personally. But my</p> <p>25 understanding is they were independent outside</p>	<p>284</p> <p>1 Q And if you look at -- if you just flip one</p> <p>2 page further, the copy of the asset transfer</p> <p>3 agreement, it is dated as of 31, December, 2019,</p> <p>4 which is the same date of J.P. Sevilla's e-mail,</p> <p>5 is that right?</p> <p>6 A Yes.</p> <p>7 Q The next e-mail up in the chain</p> <p>8 Matt DiOrio responds to the same individuals and</p> <p>9 says, "These securities mentioned have been marked</p> <p>10 at zero since acquisition in August, 2017. We</p> <p>11 tried to have them valued by a third party but</p> <p>12 could not provide enough information to do so as</p> <p>13 most are crisis era instruments that have been</p> <p>14 worthless for close to a decade. Sentinel needs</p> <p>15 them off the books to avoid a qualified opinion on</p> <p>16 its audit as CIMA has informed us it will no</p> <p>17 longer accept such an opinion. Information for</p> <p>18 the worthless positions is listed below."</p> <p>19 What's a qualified opinion on an audit?</p> <p>20 A It's a type of audit opinion that is not</p> <p>21 clean.</p> <p>22 Q Meaning what exactly?</p> <p>23 A That its modified for certain items</p> <p>24 generally considered to be negative as far as from</p> <p>25 the viewpoint of anyone reviewing the financial</p>

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<p>285</p> <p>1 statements.</p> <p>2 Q Do you know why having these assets on</p> <p>3 Sentinel's books would have led to a qualified</p> <p>4 opinion?</p> <p>5 A Because the investments could not be</p> <p>6 valued whether favorably or unfavorably the</p> <p>7 auditors were unable to opine that the assets were</p> <p>8 fairly stated and therefore they caused</p> <p>9 qualifications to the audit report.</p> <p>10 Q And Mr. DiOrio says that "CIMA has</p> <p>11 informed us that it will no longer accept such an</p> <p>12 opinion," was that part of the CIMA review that</p> <p>13 had taken place in 2019 where they had said that?</p> <p>14 A That is correct.</p> <p>15 Q If you go to the first page of the e-mail</p> <p>16 chain on the same day David Egglshaw writes back</p> <p>17 to Matt saying, "On behalf of Sebastian Clark Ltd</p> <p>18 we hereby consent to the transfers listed below."</p> <p>19 And then a month later Matt DiOrio sends</p> <p>20 along the signed APA and it says please execute on</p> <p>21 the Sebastian Clark side at your convenience and</p> <p>22 Mr. Cullinane responds with the attached fully</p> <p>23 executed agreement, and then -- which we can see</p> <p>24 here in the attachment on the last page. Do you</p> <p>25 see that?</p>	<p>287</p> <p>1 transferred back from Sebastian Clark do they have</p> <p>2 a value now?</p> <p>3 A Not to my knowledge.</p> <p>4 Q They have not been valued by anyone?</p> <p>5 Do you know how they show up --</p> <p>6 MS. REPORTER: I didn't get an answer, you</p> <p>7 shook your head.</p> <p>8 THE WITNESS: Sorry, no, they do not have</p> <p>9 any value assigned to them.</p> <p>10 BY MR. BURT:</p> <p>11 Q And no valuation has been done on them?</p> <p>12 A That is correct.</p> <p>13 Q Where do they show up in the financial</p> <p>14 statements?</p> <p>15 A We haven't completed financial statements</p> <p>16 for November, 2021 yet.</p> <p>17 Q Do you have an idea of where they will</p> <p>18 show up, how they will be accounted for?</p> <p>19 A They will show up in the asset holding</p> <p>20 schedule.</p> <p>21 Q And will values be assigned to them?</p> <p>22 A They will have a value of 0 assigned to</p> <p>23 them unless we know otherwise.</p> <p>24 Q Is Beecher trying to obtain a valuation of</p> <p>25 the assets?</p>
<p>286</p> <p>1 A Yes.</p> <p>2 Q The last e-mail in time in this e-mail</p> <p>3 exchange is to you and Alli Devins on March 19,</p> <p>4 2020, and Matt DiOrio says, "Not sure if I ever</p> <p>5 sent this to you guys. Sale of worthless assets</p> <p>6 agreement."</p> <p>7 Is that the first that you learned of</p> <p>8 Sebastian Clark?</p> <p>9 A It could be.</p> <p>10 Q These assets, I believe you testified,</p> <p>11 have been sent back to Sentinel now, is that</p> <p>12 right?</p> <p>13 A That is correct.</p> <p>14 Q When did that happen?</p> <p>15 A That happened at some point in later 2021,</p> <p>16 I think the effective date may have been November,</p> <p>17 2021.</p> <p>18 Q Why were they transferred back to</p> <p>19 Sentinel?</p> <p>20 A Based on the discussions that the new</p> <p>21 directors had with counsel and others, I am not</p> <p>22 sure who, but the determination was that they</p> <p>23 would try to recover those assets in anticipation</p> <p>24 of the outcome of the discussions with UBS.</p> <p>25 Q Are these assets that have been</p>	<p>288</p> <p>1 A I do not know. That's the call of the</p> <p>2 directors whether they obtain any valuations going</p> <p>3 forward.</p> <p>4 Q Thank you, Mr. Adamczak.</p> <p>5 I wanted to actually -- it's related to</p> <p>6 what the directors can do now, post Mr. DiOrio</p> <p>7 leaving the board and now with the new independent</p> <p>8 directors and now with the Highland entities in</p> <p>9 bankruptcy, we looked at the management services</p> <p>10 agreement of Beecher Carlson back at the beginning</p> <p>11 of the day, and we saw in a number of places that</p> <p>12 Highland Capital was providing direction about</p> <p>13 investments, for example, do you recall that?</p> <p>14 A Yes.</p> <p>15 Q And we can look at it, I don't want to put</p> <p>16 words -- make things up here. What exhibit is</p> <p>17 that? Let's look at the management agreement.</p> <p>18 117. Many documents ago.</p> <p>19 We saw that in looking at Exhibit A that</p> <p>20 Highland Capital could request comprehensive</p> <p>21 quarterly financial statements, et cetera, and</p> <p>22 also could facilitate the investment of available</p> <p>23 funds, that Beecher would facilitate the</p> <p>24 investment of available funds in accordance with</p> <p>25 written instructions from Sentinel through</p>

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<p>289</p> <p>1 Highland Capital, right?</p> <p>2 A Correct.</p> <p>3 Q Is that still how the management agreement</p> <p>4 works with Highland Capital now in bankruptcy and</p> <p>5 now a trustee overseeing it?</p> <p>6 A The captive management agreement has not</p> <p>7 been amended to this date.</p> <p>8 Q Does Beecher have any correspondence with</p> <p>9 the trustee overseeing Highland Capital?</p> <p>10 A Beecher Carlson has no correspondence with</p> <p>11 anyone from Highland Capital.</p> <p>12 Q If the trustee were to provide, for</p> <p>13 example, written instructions about the investment</p> <p>14 of available funds, would Beecher be obligated to</p> <p>15 do that, that the trustee --</p> <p>16 A Beecher would have to send that on to the</p> <p>17 directors and it would be ultimately up to the</p> <p>18 directors to determine how investments should be</p> <p>19 handled.</p> <p>20 Q Was that the case prior to the bankruptcy</p> <p>21 as well, would requests like that from Highland</p> <p>22 Capital have to get passed on to directors?</p> <p>23 A That's correct.</p> <p>24 Q How about something like paying on the</p> <p>25 policy, if the trustee were to come and say on</p>	<p>291</p> <p>1 unanimous written resolutions since 27 October</p> <p>2 2014 and following a brief discussion it was</p> <p>3 resolved that the board of directors meeting</p> <p>4 minutes of 4th of August 2016 and 28 December 2017</p> <p>5 be and are hereby approved.</p> <p>6 So my question on that is why in this</p> <p>7 meeting in December of 2018 were four years worth</p> <p>8 of minutes and resolutions discussed and approved?</p> <p>9 A It's actually two years, and there was</p> <p>10 probably no formal approval in the December, 2017</p> <p>11 meeting of the prior year August 4, 2016 meeting</p> <p>12 minutes, so this was a catch-up approval.</p> <p>13 It's not uncommon to formally approve the</p> <p>14 board minutes at the following meeting, the prior</p> <p>15 meeting minutes.</p> <p>16 Q I was getting the four-year number from</p> <p>17 this line that the meeting minutes and unanimous</p> <p>18 written resolution since 27 October 2014, so the</p> <p>19 time between 27 October 2014 and December 17,</p> <p>20 2018. So -- maybe that's just referring to the</p> <p>21 unanimous written resolutions.</p> <p>22 But do you know why those hadn't been</p> <p>23 discussed over a period of four years with the</p> <p>24 board?</p> <p>25 MR. WELDON: Objection.</p>
<p>290</p> <p>1 behalf of Highland Capital I want you to pay on</p> <p>2 the policy, what would Beecher do, would they have</p> <p>3 to run that by the directors or could Beecher --</p> <p>4 A As Beecher doesn't make any payments</p> <p>5 themselves everything has to go through the</p> <p>6 directors for final approval.</p> <p>7 Q Another way back in time exhibit,</p> <p>8 Exhibit 116, if we can pull that up, this was the</p> <p>9 e-mail that attached advisory -- excuse me, the</p> <p>10 board minutes and the advisory committee</p> <p>11 discussions. The front of it is an e-mail from</p> <p>12 Clayton price to CIMA.</p> <p>13 The first attachment there, and we looked</p> <p>14 briefly at it, but I do have a few questions about</p> <p>15 it, the board of directors minutes, you see that</p> <p>16 these are minutes of a meeting held on the 17th of</p> <p>17 December, 2018?</p> <p>18 A Correct.</p> <p>19 Q And here it appears that Damien Austin and</p> <p>20 Jan Neveril are appointed to be chairman and</p> <p>21 secretary of the board, is that right?</p> <p>22 A That is correct.</p> <p>23 Q Under No. 3, prior meeting minutes and</p> <p>24 resolutions, it states that the directors reviewed</p> <p>25 the prior board of directors meeting minutes and</p>	<p>292</p> <p>1 THE WITNESS: I don't know that they</p> <p>2 weren't discussed with the board, but there were</p> <p>3 new directors at this point. This is the first</p> <p>4 meeting that Jan, Damian, Matt, and Dilip had all</p> <p>5 attended so it would have made sense to present</p> <p>6 some of the former resolutions to review and have</p> <p>7 -- so they could have the background on.</p> <p>8 BY MR. BURT:</p> <p>9 Q On the next page there is a litigation</p> <p>10 update under 4A, and it states the chairman</p> <p>11 requested that all parties advise if they are</p> <p>12 aware of any litigation matters which may impact</p> <p>13 the company. All the participants confirmed that</p> <p>14 they were not aware of any litigation that</p> <p>15 involved the company.</p> <p>16 Was this just referring to specific</p> <p>17 litigation involving Sentinel itself?</p> <p>18 A I would assume that to be true.</p> <p>19 Q Right.</p> <p>20 Because obviously the UBS litigation</p> <p>21 involving the ATE policy was ongoing at that time?</p> <p>22 A Right. But Sentinel was not named in any</p> <p>23 of that litigation.</p> <p>24 Q Under 8, acts of directors, states the</p> <p>25 directors having been apprised of the business</p>

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<p>293</p> <p>1 transactions and affairs of the company since the</p> <p>2 last meeting of the directors on the 4th of August</p> <p>3 2016 accordingly who's resolved that all acts of</p> <p>4 the directors and agents of the company taken on</p> <p>5 behalf of the company since 4 August 2016 being</p> <p>6 hereby and are hereby approved and ratified.</p> <p>7 So here it states that the directors</p> <p>8 hadn't met since the 4th of August, 2016 which is</p> <p>9 inconsistent with what it says on the first page</p> <p>10 that there was an 8 December 2017 meeting. Do you</p> <p>11 know what was going on there?</p> <p>12 A I do not know or recall what the</p> <p>13 December 8, 2017 meeting reviewed. It may have</p> <p>14 been a brief meeting that may not have covered all</p> <p>15 of the items and had the catchall resolution to</p> <p>16 approve all prior acts since the last meeting.</p> <p>17 Q Did Beecher write the minutes for the</p> <p>18 meetings?</p> <p>19 A Beecher as part of its captive management</p> <p>20 role would typically take minutes for the meetings</p> <p>21 and draft and then send those minutes to directors</p> <p>22 for review and commentary.</p> <p>23 Q On the first page in attendance</p> <p>24 J.P. Sevilla and Katie Irving for SAS Asset</p> <p>25 Recovery are in attendance. Do you know why they</p>	<p>295</p> <p>1 debt that is owed by a creditor?</p> <p>2 A Not to my knowledge.</p> <p>3 MR. BURT: Christian, we are getting</p> <p>4 really close, let us take five minutes to organize</p> <p>5 things.</p> <p>6 MR. WELDON: Yes.</p> <p>7 MR. BURT: If we can.</p> <p>8 THE VIDEOGRAPHER: We are going off the</p> <p>9 record, the time is 5:42.</p> <p>10 (Recess taken.)</p> <p>11 THE VIDEOGRAPHER: We are on the record,</p> <p>12 the time is 5:53.</p> <p>13 BY MR. BURT:</p> <p>14 Q Mr. Adamczak, we are just about done here,</p> <p>15 a few final mop-up questions.</p> <p>16 Looking at Exhibit 140 -- 134, I wasn't</p> <p>17 even close, 134, Page 9 of the investment holding</p> <p>18 statement for Sentinel Reinsurance from</p> <p>19 November 30, 2020, we had looked earlier in the</p> <p>20 day that there were four investments that were</p> <p>21 prior to the 2017 ATE transfers and those are</p> <p>22 listed there, the Eastland, there was a</p> <p>23 Greenbriar, there was a Greyson CLO, and then the</p> <p>24 Stratford CLO, is that right?</p> <p>25 A That's correct.</p>
<p>294</p> <p>1 are in attendance?</p> <p>2 A As members of Highland and knowledgeable</p> <p>3 members of the activities centering around</p> <p>4 Sentinel.</p> <p>5 Q They would attend board meetings?</p> <p>6 A Correct.</p> <p>7 Q They didn't have a vote?</p> <p>8 A No.</p> <p>9 Q Is that right?</p> <p>10 A No.</p> <p>11 Q What did they do at the board meetings, if</p> <p>12 you recall?</p> <p>13 A I don't, unless it was specifically</p> <p>14 identified in the minutes. They could have just</p> <p>15 been observing.</p> <p>16 Q Going back to Sentinel as it exists today,</p> <p>17 do you know who the creditors of Sentinel are if</p> <p>18 it has any?</p> <p>19 A In what way?</p> <p>20 Q So entities that have loaned Sentinel</p> <p>21 money, for example, if there were to be a</p> <p>22 liquidation of Sentinel would there be various</p> <p>23 organizations that are owed money by Sentinel?</p> <p>24 A Not to my knowledge.</p> <p>25 Q In other words, Sentinel hasn't issued any</p>	<p>296</p> <p>1 Q And I believe you were able during a break</p> <p>2 to confirm some information about those transfers,</p> <p>3 is that right?</p> <p>4 A That is correct.</p> <p>5 Q What were you able to learn?</p> <p>6 A The Eastland and Greyson CLOs are not</p> <p>7 transferred into Sentinel's name and the other two</p> <p>8 are.</p> <p>9 Q And is it correct that just as with the</p> <p>10 Schedule A assets those pre-ATE transfers Beecher</p> <p>11 don't have any insight into where -- who the</p> <p>12 transferor was, who those came from?</p> <p>13 A Correct.</p> <p>14 Q You mentioned earlier in the day that I</p> <p>15 believe I asked you about whether the current</p> <p>16 assets of Sentinel are sufficient to cover a</p> <p>17 potential payment on the ATE policy, and I believe</p> <p>18 you testified that, yes, they are, is that</p> <p>19 correct?</p> <p>20 A That's correct.</p> <p>21 Q And I am wondering if you could explain</p> <p>22 how you know that, how the assets have been</p> <p>23 valued.</p> <p>24 A As of what date are we talking about?</p> <p>25 Q As of today, so the latest valuation of</p>

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<p>297</p> <p>1 those assets.</p> <p>2 A The latest valuation that we have on any</p> <p>3 of the investments was as of December 31, 2020.</p> <p>4 Q 2020, so two years ago -- a year and a</p> <p>5 half ago?</p> <p>6 A Yes.</p> <p>7 Q Is the 2021 those statements are being</p> <p>8 worked on now?</p> <p>9 A The directors have not concluded whether</p> <p>10 they want to obtain valuations as of December 31,</p> <p>11 2021.</p> <p>12 Q Do you know why?</p> <p>13 A I do not. They have been -- they have</p> <p>14 been having discussions with the audit firm and</p> <p>15 the auditors did not require it as they were</p> <p>16 likely disclaiming an opinion anyway.</p> <p>17 Q So as of the end of December, 2020 when</p> <p>18 they were valued, what valuations were done on the</p> <p>19 assets at that time?</p> <p>20 A The same valuations that they had done on</p> <p>21 the investments in prior years.</p> <p>22 Q Done by the same service providers?</p> <p>23 A Valuation Research Corp.</p> <p>24 Q And that valuation at the end of 2020</p> <p>25 yielded an amount sufficient to satisfy the entire</p>	<p>299</p> <p>1 Sentinel.</p> <p>2 Q We have talked today about very clear</p> <p>3 testimony about all of the assets of the insureds</p> <p>4 were transferred over to pay the premium.</p> <p>5 Did anyone at Highland ever say why</p> <p>6 Highland decided to transfer all of those assets?</p> <p>7 MR. WELDON: Objection.</p> <p>8 THE WITNESS: It was our understanding</p> <p>9 they did not have the cash to be able to pay the</p> <p>10 premium so in lieu of receipt of premium in cash</p> <p>11 they informed us that all of the assets would be</p> <p>12 transferred.</p> <p>13 BY MR. BURT:</p> <p>14 Q Right.</p> <p>15 And that's -- I guess that's where the</p> <p>16 rubber hits the road, because as we have gone</p> <p>17 through the amount of premium was a little bit in</p> <p>18 flux and it was later amended in Endorsement 1 to</p> <p>19 match the assets transferred, and so that decision</p> <p>20 to transfer all the assets, did they ever say why</p> <p>21 Highland wanted to transfer all of the insured's</p> <p>22 assets?</p> <p>23 A I don't recall.</p> <p>24 Q You don't recall any discussions, for</p> <p>25 example, with J.P. Sevilla about that?</p>
<p>298</p> <p>1 premium, is that right?</p> <p>2 A Say that again?</p> <p>3 Q That was a poor -- very poorly worded</p> <p>4 question.</p> <p>5 The valuation at that time, in December</p> <p>6 of 2020, yielded an asset value at Sentinel that</p> <p>7 was sufficient to cover the ATE policy?</p> <p>8 A Correct.</p> <p>9 Q So \$91 million?</p> <p>10 A Correct.</p> <p>11 Q And how are those assets held, do you know</p> <p>12 in what forms?</p> <p>13 A There is CLOs, there is promissory notes,</p> <p>14 there is limited partnerships, basically whatever</p> <p>15 is left of the investments that weren't previously</p> <p>16 sold.</p> <p>17 Q And there is cash still?</p> <p>18 A And there is still cash.</p> <p>19 Q And the SeaOne investment is still there,</p> <p>20 for example?</p> <p>21 A The SeaOne investment is owned by</p> <p>22 SS Holdings, which is a subsidiary of Sentinel.</p> <p>23 Q And is it counted towards the assets of</p> <p>24 Sentinel?</p> <p>25 A It is in the consolidated financials for</p>	<p>300</p> <p>1 A The only discussions that I recall were</p> <p>2 that there was going to be a risk in taking these</p> <p>3 investments so there had to be some reward for</p> <p>4 taking on that risk and that reward was in the</p> <p>5 form of a potential windfall should the</p> <p>6 investments prove to be worth more than nothing.</p> <p>7 Q And that's what Mr. Sevilla told you?</p> <p>8 A I don't remember if that was specifically</p> <p>9 his words, but that was our understanding.</p> <p>10 Q And that was Beecher's understanding?</p> <p>11 A That was Beecher's understanding.</p> <p>12 Q And is it fair to say that Beecher was not</p> <p>13 involved in the decision to transfer all the</p> <p>14 assets, that was made by Highland, right?</p> <p>15 A Beecher was not involved in that decision.</p> <p>16 Q And all of the reasons for transferring</p> <p>17 those assets were not -- Beecher was not made</p> <p>18 privy to, is that right?</p> <p>19 A Beecher was not aware that there was any</p> <p>20 information that was withheld from them.</p> <p>21 Q Now, is Beecher aware that through the</p> <p>22 trustee now that CDO Fund has made a claim on the</p> <p>23 policy?</p> <p>24 A That's correct.</p> <p>25 Q And when did Beecher become aware of that?</p>

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<p>301</p> <p>1 A When the demand came through in early 2 2021. 3 Q Has Beecher had conversations with the 4 directors about that? 5 A We have had limited conversations with the 6 directors regarding it. 7 Q What have those conversations been? 8 A That there had been no resolution in the 9 discussions, the settlement discussions or 10 negotiations, with UBS. 11 Q And did the directors tell Beecher that 12 that was a reason to not pay on the policy 13 pursuant to the demand? 14 A They haven't given us a reason why there 15 has been no payment on the policy. 16 Q Does Beecher take a position one way or 17 another on whether the policy should be paid? 18 A Beecher is contracted with Sentinel to 19 provide the management services and financials. 20 We are available to be consulted with should there 21 need, we have had no consultation requests from 22 the directors. 23 Q So Beecher -- is it fair to say that 24 Beecher is not aware of any reason why the claim 25 has not been paid to date?</p>	<p>303</p> <p>1 BY MR. BURT: 2 Q Well, that contradicts what you testified 3 to earlier where you said they were the ones 4 ultimately calling the shots as ultimate 5 beneficial owners. 6 MR. WELDON: Objection, misstates earlier 7 testimony. 8 THE WITNESS: I don't remember what I 9 said. 10 BY MR. BURT: 11 Q But you were testifying truthfully 12 earlier, right? 13 MR. WELDON: Objection. 14 THE WITNESS: I have been testifying 15 truthfully the entire time. 16 BY MR. BURT: 17 Q Do you know what Peak Ventures is? 18 A I have never heard of Peak Ventures. 19 Q Referring to Dilip Massand, do you happen 20 to know why he resigned from the board? 21 A We were not informed of the reasons why he 22 resigned. 23 Q Did that resignation come suddenly? 24 A It was sudden. 25 Q And no one explained why?</p>
<p>302</p> <p>1 MR. WELDON: Objection. 2 THE WITNESS: Beecher is not aware of any 3 reasons why the claim has not been paid to date. 4 BY MR. BURT: 5 Q We have seen some documents today that 6 reference Sentinel's management. Do you know who 7 those -- whose referred to as Sentinel management 8 or the officers of Sentinel that would refer to? 9 A In what way? 10 Q So we talked about the directors, right -- 11 A Yes. 12 Q -- on one hand, and there has been other 13 references to the management at Sentinel. 14 Have you ever heard that term that 15 Sentinel has management? 16 A Yes. But I would take it to mean that the 17 management refers to those decision makers. 18 Q Being whom? 19 A The directors of Sentinel. 20 Q And ultimately Dondero and Ellington? 21 MR. WELDON: Objection. 22 THE WITNESS: I have not been requested by 23 them to make any or to direct any payments so I 24 can't say that they are the ones calling any 25 shots.</p>	<p>304</p> <p>1 A I believe the explanation that we had was 2 that he was no longer affiliated with Highland 3 Capital. 4 MR. BURT: One final document, this is the 5 final one and the shortest one. 6 (Document marked Exhibit 145 for 7 identification.) 8 BY MR. BURT: 9 Q So this is an e-mail from Clayton Price to 10 you, Mr. Adamczak, in the end of April last year, 11 2021. And the subject is Interesting to now learn 12 that Matt had been planning to also resign from 13 Sentinel's board. Then he states, "And they 14 previously appointed counsel other than Dylan at 15 Carey Olsen... my instinct tell me Matt likely 16 knew/knows more about this demand now being 17 served." Do you recall this e-mail? 18 A I do. 19 Q What was the context of this e-mail? 20 A This was at the time that the then current 21 directors were asked to resign from Sentinel. 22 Q And why was it interesting to learn that 23 Matt had been planning to resign? 24 A Because through previous discussions that 25 we had with him he had given us no indication that</p>



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<p>305</p> <p>1 he was going to be resigning until that point.</p> <p>2 Q Do you know who asked the directors to</p> <p>3 resign?</p> <p>4 A I do not.</p> <p>5 Q What did you make of Clayton price's line</p> <p>6 that his instincts tells me Matt likely knows more</p> <p>7 about the demand for payment on the claim now</p> <p>8 being served?</p> <p>9 A Say that again?</p> <p>10 Q What did you take from Mr. Price's</p> <p>11 statement that his instincts told him Matt knew</p> <p>12 more about the demand for claim payment that was</p> <p>13 being served?</p> <p>14 A I would just be speculating if I --</p> <p>15 Q Did you share those instincts that Matt</p> <p>16 knew more than he was letting on?</p> <p>17 A Yes.</p> <p>18 Q Why is that?</p> <p>19 A Because it just seemed peculiar.</p> <p>20 Q What seemed peculiar?</p> <p>21 A That he was resigning.</p> <p>22 Q Last set of questions, in preparing for</p> <p>23 this deposition did you have any contact with</p> <p>24 Sentinel's counsel?</p> <p>25 A No.</p>	<p>307</p> <p>1 MR. WELDON: And I understand your</p> <p>2 request. I have only a couple questions. If you</p> <p>3 are done -- I asked Mr. Feinstein, I don't think</p> <p>4 he has any, I am not aware of anyone else so I am</p> <p>5 going to ask questions.</p> <p>6 EXAMINATION</p> <p>7 BY MR. WELDON:</p> <p>8 Q If you could look at Exhibit 137, I think</p> <p>9 they are in order. And then 128 is the other one</p> <p>10 I will need. If you guys want so you know what I</p> <p>11 am looking at. We are going to do 137 first.</p> <p>12 You testified about UBO, can you tell me</p> <p>13 what that term means again?</p> <p>14 A Ultimate beneficial owner.</p> <p>15 Q And you understood that UBOs in the</p> <p>16 corporate structure diagram to be who on those</p> <p>17 two?</p> <p>18 A James Dondero and Scott Ellington.</p> <p>19 Q Have you ever had any discussions with</p> <p>20 Dondero or Ellington?</p> <p>21 A Me personally, no.</p> <p>22 Q Are you aware of any document that you</p> <p>23 have seen today or do you have a document where</p> <p>24 you have seen that Dondero or Ellington made any</p> <p>25 decisions about anything relative to Sentinel</p>
<p>306</p> <p>1 Q So that would be counsel at Foley Lardner</p> <p>2 or Collas Crill?</p> <p>3 A Correct.</p> <p>4 Q How about with any of the former Highland</p> <p>5 employees, Matt DiOrio?</p> <p>6 A No.</p> <p>7 Q Or J.P. Sevilla?</p> <p>8 A No.</p> <p>9 Q Just worked with Mr. Weldon here to</p> <p>10 prepare?</p> <p>11 A That's correct.</p> <p>12 MR. BURT: Chris, I think there are still</p> <p>13 a few documents that weren't produced to us over</p> <p>14 on the redaction, waiting to get.</p> <p>15 MS. GEORGE: There is at least 30</p> <p>16 invoices, not including --</p> <p>17 MR. WELDON: I know they are being worked</p> <p>18 on, just follow-up on them.</p> <p>19 MR. BURT: We will follow-up on them. And</p> <p>20 for that reason though I am just going to need to</p> <p>21 hold the deposition open pending --</p> <p>22 MR. WELDON: I don't agree it is open I</p> <p>23 think we are close to the seven hours, but I</p> <p>24 understand your position.</p> <p>25 MR. BURT: Okay.</p>	<p>308</p> <p>1 directly that you saw on a decision making basis?</p> <p>2 A I have not.</p> <p>3 Q On one -- on Exhibit 137, if you look at</p> <p>4 the top, you see Matt DiOrio's e-mail there.</p> <p>5 A Yes.</p> <p>6 Q It says sasmtg.com, and you explained why</p> <p>7 you understood that e-mail to be utilized in that</p> <p>8 fashion.</p> <p>9 Do you know who Matt -- aside from being</p> <p>10 an internal director, which you testified about</p> <p>11 with Sentinel, do you know who Matt DiOrio</p> <p>12 specifically worked for and got paid by relative</p> <p>13 to his work?</p> <p>14 A Not with certainty, no.</p> <p>15 Q In regards to all the testimony you</p> <p>16 provided today are you aware of Matt DiOrio acting</p> <p>17 as anything but an internal director on his</p> <p>18 direction to you?</p> <p>19 A On his direction to us, it was in his</p> <p>20 capacity as an internal director.</p> <p>21 Q Because we have used the term coming from</p> <p>22 Highland Capital, do you have any direct knowledge</p> <p>23 on how information got from Highland Capital to</p> <p>24 Matt DiOrio specifically?</p> <p>25 A I do not.</p>

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<p>309</p> <p>1 Q I want to look at Exhibit 128.</p> <p>2 We talked about these scenarios that Jason</p> <p>3 Stubbs had put together.</p> <p>4 A Yes.</p> <p>5 Q And there were scenarios in these</p> <p>6 scenarios -- in these three -- there were</p> <p>7 situations in these three scenarios in which</p> <p>8 Sentinel took the premium places policy they would</p> <p>9 have a favorable outcome in the premium they took</p> <p>10 and a beneficial benefit to the company, is that</p> <p>11 correct?</p> <p>12 A That's correct. In each of the scenarios</p> <p>13 there were two options that would have resulted in</p> <p>14 very little payout or no payment.</p> <p>15 Q So in that regard, only that regard, I am</p> <p>16 not talking about any other aspect of it, was the</p> <p>17 policy any different than any other policy when</p> <p>18 you get scenarios when you have this actuary done</p> <p>19 in regards to how that policy was going to respond</p> <p>20 and whether it was a policy that should be placed.</p> <p>21 A No. This is similar to many policies that</p> <p>22 we have seen in the past.</p> <p>23 Q Was there any action that Beecher took in</p> <p>24 regards to what it has done for Sentinel</p> <p>25 throughout its time as the captive manager that</p>	<p>311</p> <p>1 Q Do you know what the basis of that</p> <p>2 restraining order is?</p> <p>3 A I do not.</p> <p>4 Q But there was some clarification on what</p> <p>5 could be paid?</p> <p>6 A Correct.</p> <p>7 Q Is that correct?</p> <p>8 A Correct.</p> <p>9 Q And you looked -- is it fair to say you</p> <p>10 looked to the directors, the current directors of</p> <p>11 Sentinel, to understand their interpretation of</p> <p>12 that clarification?</p> <p>13 A The current directors are aware of that</p> <p>14 restraining order and would direct us to pay</p> <p>15 invoices or to process invoices so that they could</p> <p>16 release them as deemed appropriate.</p> <p>17 Q Okay.</p> <p>18 MR. WELDON: I don't have any other</p> <p>19 questions at this point.</p> <p>20 MR. BURT: Just a little redirect.</p> <p>21</p> <p>22 FURTHER EXAMINATION</p> <p>23 BY MR. BURT:</p> <p>24 Q Your counsel, Mr. Adameczak, just asked you</p> <p>25 a few questions about the UBOs, the ultimate</p>
<p>310</p> <p>1 wasn't at the direction of the directors?</p> <p>2 A No. Beecher did not have the capacity to</p> <p>3 be able to do that. Everything was approved and</p> <p>4 directed by the directors, whether independent or</p> <p>5 internal.</p> <p>6 Q When you talk about internal, the internal</p> <p>7 directors that you dealt with over the time was</p> <p>8 DiOrio?</p> <p>9 A Matt DiOrio and Dilip Massand.</p> <p>10 Q J.P. was not an internal director to your</p> <p>11 knowledge?</p> <p>12 A J.P. was never a director of Sentinel.</p> <p>13 Q That report that CIMA did and asked for a</p> <p>14 number of things that were needed to be done by</p> <p>15 Sentinel, are you aware of anything that hadn't</p> <p>16 been met at CIMA's request following that</p> <p>17 inspection report?</p> <p>18 A No.</p> <p>19 Sentinel followed through with all of</p> <p>20 their requests compliant with every piece of</p> <p>21 documentation so that they could continue with a</p> <p>22 clean bill of health to continue operating.</p> <p>23 Q And there is that order, that restraining</p> <p>24 order that came out?</p> <p>25 A Yes.</p>	<p>312</p> <p>1 beneficial owners of Sentinel. Do you recall</p> <p>2 those questions?</p> <p>3 A Yes.</p> <p>4 Q I am going to read to you from the</p> <p>5 transcript from earlier today at Pages 17, line --</p> <p>6 Page 17, Line 14 through Page 18 Line 1, quote --</p> <p>7 MR. WELDON: Let me just get it up, give</p> <p>8 me a second. What is the line?</p> <p>9 MR. BURT: Page 17, Line 14.</p> <p>10 BY MR. BURT:</p> <p>11 Q I did a search in the realtime, you can</p> <p>12 scroll up.</p> <p>13 MR. WELDON: Go ahead.</p> <p>14 BY MR. BURT:</p> <p>15 Q "Q You stated a moment ago that the</p> <p>16 ultimate -- the role of an ultimate beneficial</p> <p>17 owner is that they are the person who ultimately</p> <p>18 calls the shots for the captive. Is that true</p> <p>19 with respect to Mr. Dondero and Ellington and</p> <p>20 Sentinel that they are the ones ultimately calling</p> <p>21 the shots for Sentinel?"</p> <p>22 "MR. Weldon: Objection."</p> <p>23 "MR. BURT: You can answer."</p> <p>24 "MR. WELDON: You may answer."</p> <p>25 "THE WITNESS: To the best of our</p>

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<p>313</p> <p>1 knowledge that is correct."</p> <p>2 That was the question that you were asked</p> <p>3 and that was the answer that you gave earlier</p> <p>4 today, isn't that right?</p> <p>5 A That's correct.</p> <p>6 Q And you also said that you hadn't seen any</p> <p>7 documents where Messrs Dondero and Ellington were</p> <p>8 making decisions.</p> <p>9 I would like to pull up Exhibit 116 again</p> <p>10 and go to the second attachment, which is the</p> <p>11 Sentinel Advisory Committee discussions signed by</p> <p>12 Mr. Ellington, recording member, do you see that?</p> <p>13 A I do.</p> <p>14 Q Do you recall seeing this document earlier</p> <p>15 today?</p> <p>16 A I do.</p> <p>17 Q And do you recall testifying that these</p> <p>18 committee discussions were never provided to</p> <p>19 Beecher?</p> <p>20 A That is correct.</p> <p>21 MR. BURT: That's all I have.</p> <p>22 MR. WELDON: I am done.</p> <p>23 THE VIDEOGRAPHER: This marks Day 1 of the</p> <p>24 deposition of Thomas Adamczak, we are going off</p> <p>25 the record at 6:19 p.m.</p>	<p>315</p> <p>1 STATE OF ILLINOIS)</p> <p>2) SS.</p> <p>3 COUNTY OF DUPAGE)</p> <p>4 I, STEPHANIE A. BATTAGLIA, CSR and</p> <p>5 Notary Public in and for the County of DuPage and</p> <p>6 State of Illinois, do hereby certify that on</p> <p>7 April 12, 2022, at 9:06 a.m., at 156 College</p> <p>8 Street, Suite 301, Burlington, Vermont the</p> <p>9 deponent THOMAS ADAMCZAK, 30(b)(6) personally</p> <p>10 appeared before me.</p> <p>11 I further certify that the said THOMAS</p> <p>12 ADAMCZAK, 30(b)(6) was by me first duly sworn to</p> <p>13 testify and that the foregoing is a true record of</p> <p>14 the testimony given by the witness.</p> <p>15 I further certify that the deposition was</p> <p>16 terminated at 6:19 p.m.</p> <p>17 I further certify that I am not counsel</p> <p>18 for nor related to any of the parties herein, nor</p> <p>19 am I interested in the outcome hereof.</p> <p>20 In witness whereof, I have hereunto set</p> <p>21 my hand and seal of office this of April,</p> <p>22 2022.</p> <p>23  </p> <p>24 Notary Public</p> <p>25 CSR No. 084-003337 - Expiration Date: 5/31/2023</p>
<p>314</p> <p>1 (End of videotaped proceedings.)</p> <p>2 MS. REPORTER: You are getting a rough</p> <p>3 draft and five-day delivery.</p> <p>4 MR. BURT: Yes.</p> <p>5 MR. WELDON: And we will read and sign,</p> <p>6 right?</p> <p>7 MS. REPORTER: Do you get a rough draft as</p> <p>8 well?</p> <p>9 MR. WELDON: They are paying.</p> <p>10 MR. BURT: I just don't know.</p> <p>11 MS. REPORTER: My office will contact</p> <p>12 you.</p> <p>13 (WHICH WERE ALL OF THE PROCEEDINGS HAD OR</p> <p>14 TAKEN PLACE IN THE ABOVE-ENTITLED MATTER.)</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	